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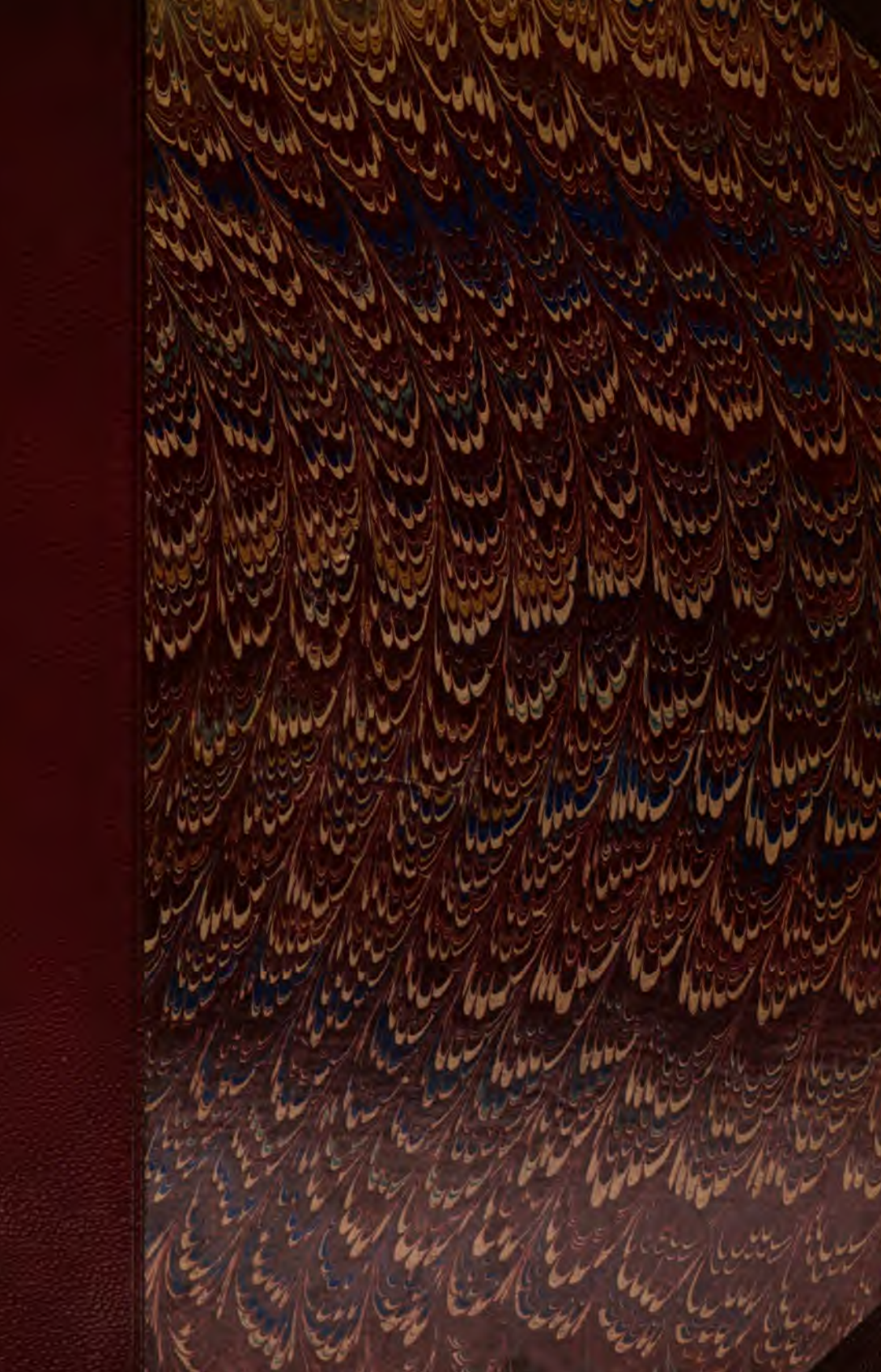

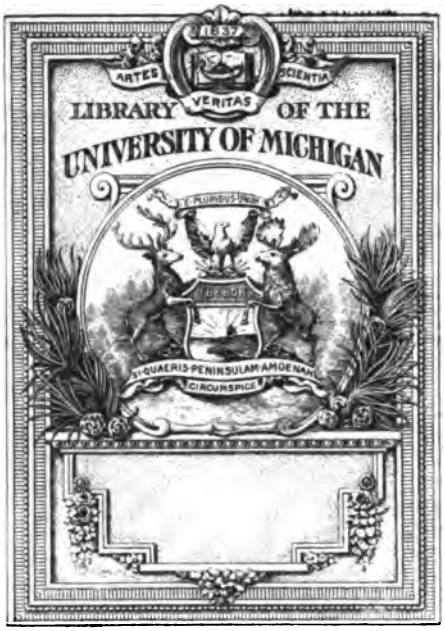
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OF MONEY

THE INSTRUMENT OF ASSOCIATION.

A LECTURE

DELIVERED AT THE WHARTON SCHOOL OF FINANCE, UNIVERSITY OF PENNSYLVANIA, PHILADELPHIA, APRIL 14, 1890.

BY

HENRY CAREY BAIRD.

MAN, the molecule of society, is the subject of social science. In common with all other animals he requires to eat, drink and sleep, but his greatest need is that of ASSOCIATION with his fellow-men.—CAREY.

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OF MONEY

THE INSTRUMENT OF ASSOCIATION.

Orthodox Political Economy.

Of all the inventions of man that which has, during this nineteenth century proven to be, beyond comparison, the greatest curse to the human race, is orthodox political economy; whether pure and unadulterated or well watered. Any system or pretended system which exists even in the condition of the most homœopathic dose of this original drug, contains within it the virus which will poison and wrong a whole nation of 65,000.000 of souls. And this political economy, either in whole or in part, is now taught at Oxford, Cambridge, London and Dublin, at Harvard, Yale, Princeton, Williams, Cornell, Ann Arbor, and even at Gettysburg, on that field of strife and carnage, for which to the teachings of this very system, resulting in the destruction of the power of association, and thus in the prevention of the growth of civilization, do we stand indebted.

Better permanently perish, any institution of learning, than for it to be the means of injecting such poison into the minds of successive generations of educated men, and of thus misdirecting the newspaper and periodical press and thereby creating a false public opinion inaugurating pernicious legislation, and through that legislation destroying the prosperity, the happiness, the morals, the peace, the civilization of the people.

The Responsibility of "Institutions of Learning" for False Economic Teachings.

The teachings of this fraudulent system of the philosophy of man's relations to his fellowmen and to the earth which he inhabits, have been so long continued in institutions of learning, and so persistently backed up by the trading instincts and the money-power of England, that their vicious doctrines have become a part of the modes of thought of nearly, if not quite all, so-called "liberally educated" men. For myself, I am free to say that I rejoice in the fact that I am not one of this class; having gone to work at business at the age of sixteen, about which time boys commence college life.

More Lives Than a Cat.

The cat is said to have nine lives. Alongside of the cat, orthodox political

economy is "one of the immortals." It has at least 999 lives, and it is the very highest of all the public duties of the American citizen of public spirit to labor day in and day out, week in and week out, year in and year out, to kill it! On this work I have, with intense enthusiasm, now been engaged for two and thirty years; and I rejoice to say that the enthusiasm is still here.

The Supreme Mission of the Educator.

The supreme mission of the educator, at this time, should not be the advancement of education on the present lines; nor the decision as to whether the rising and the coming generations shall spend years over the languages through which the departed Greeks and Romans associated among themselves; nor whether this time be devoted to those languages used by existing peoples, with whom we now have need to associate; nor whether science and technology shall take the place hitherto filled by other studies; but this mission should be to drive out of his curriculum false and pernicious economics and introduce and earnestly impart those which are true and beneficent. Under the best of circumstances, this life is full of trial, temptation, misfortune, suffering and sadness. The amelioration of that life, to us, one and all, high and low, rich and poor, is therefore the sublimest of all temporal duties, and the most worthy of the ceaseless efforts of the best of intellects.

Every Fundamental Doctrine Has Been Refuted.

As evidence of the superabundance of vitality in the noxious weed, orthodox political economy, it may be stated that every fundamental doctrine on which the system rests, Ricardo's theory of rent, Malthus' law of population, Mill's wage-fund theory and the theories of Gresham, Hume, Ricardo, Huskisson, Overstone and Peel and of the school generally, as to money, has been utterly refuted; and yet the system, which is built upon these several fallacies, is so far considered worthy of credence, as actually, at this hour, to be permitted loudly and impudently to dogmatize in the matter of the enactment of laws for the government of men. Such pretensions would not, even for a single hour, be tolerated, were it not that this bogus science had long been a fetish of the institution of learning and consequently of its alumnus. No man wholly loses the influence of the religious teachings of his tender years; and it is almost equally true in regard to that which he learns at school and college, be it what it may; sound or unsound, good or bad.

The Doctrines Regarding Money.

A large body of this American people has utterly rejected and cast out from its life and policy the teachings of the system in regard to trade, recognizing the association or commerce of man with his fellow men, as of first consideration, and not the trade performed by others for this man and his fellowmen. And yet these same people still blindly and vehemently cling, without properly testing them, to the fallacies of Gresham, Hume, Ricardo, Huskisson, Overstone, Peel and the economists generally as to money; although the whole experience, the daily observation of their lives, furnishes proof conclusive of the utter falsity of these theories. But most of these Americans, having failed to learn to think, and thinking to reason, permit others, notably shallow newspaper scribblers, to exercise this thought, this reason for them. The last remaining remnant of orthodox political economy, which will be relegated to the darkness and obscurity whence it all came, and where it all belongs, and will eventually go, will be its theories regarding money.

Let me then, earnestly invite your attention to the topic:

OF MONEY THE INSTRUMENT OF ASSOCIATION.

Man's Need For Association With His Fellowmen.

"Man the molecule of society," says Carey, "is the subject of social science. In common with all other animals he requires to eat, drink and sleep, but his greatest need is that of ASSOCIATION with his fellowmen. Born the weakest and most dependent of animals, he requires the largest care in infancy, and must be clothed by others, whereas to birds and beasts clothing is supplied by nature. Capable of acquiring the highest degree of knowledge, he appears in the world destitute even of that instinct which teaches the bee and the spider, the bird and the beaver, to construct their habitations and to supply themselves with food. Dependent upon the experience of himself and others for all his knowledge, he requires language to enable him either to record the results of his own observation, or to profit by those of others; and of language there can be none without association."

Association the Keynote to the Life of Man.

Here is, at once, the keynote to the life of man and to social science. The necessity of man for association or commerce—the exchange of services, commodities and ideas—with his fellowmen, is the broadest, the most fundamental, the most far-reaching, all-governing, general fact which can be deduced in regard to him. It literally, from the cradle to the grave, controls his destiny and is at the bottom of all the motives which, throughout his career, impel him to action. He is thus insufficient unto himself, and the higher his civilization the greater become his wants, and, therefore, the greater his dependence on his fellowmen and the more rigid and unyielding over his daily, his hourly life, the domination of the law.

Basis of the True Social Philosophy.

As all of the social problems thus arise out of the existence of this law, any system of so-called political economy, social science or social philosophy, which is not absolutely based on, and throughout referred to it, is *ipso facto* false and misleading. Indeed, but for the necessity of man for association or commerce with his fellowmen, there would be no political economy, and the system which ignores the very thing which causes political economy to have an existence, fails to vindicate its own right to be. "If the blind lead the blind, both shall fall into the ditch." This is precisely what has happened to those economists who have not understood the paramount importance of the law of association or commerce, and to their followers. They have, leaders and led, fallen into the ditch, which, with them, has well nigh swallowed up all human happiness; indeed, all civilization itself.

Labor the First Cost of All Things Having Value.

Labor being the first cost of all things having value, and labor-power being the one commodity which cannot be preserved, and which, if not consumed on the instant of its production, is lost and gone forever, and the existence of association or commerce being the condition precedent to the consumption of labor-power, just here arises the necessity for MONEY. But for the existence of the great law of association or commerce controlling man, there would be no need for, no possibility of, MONEY, and then I should not be here before you to discuss it, for it would not be. It is, in a word, the creature of association or commerce, and its existence, its great utility and power, determine the nature of political economy and social science themselves, requiring them to concern themselves first, last and all the time, with man and his efforts to associate with his fellow-

men. Without MONEY that "saving fund for labor," which "facilitates association and combination, giving utility to billions of millions of minutes that would be wasted did not a demand exist for them at the moment the power to labor had been produced," there could be no vigorous power of association, and therefore has it, by the greatest of American economists, been termed

The Instrument of Association.

The daily life of a civilised people, involving such countless millions of acts of association or commerce, such myriads of compositions, decompositions and recompositions of services, commodities and ideas, that a medium having the qualities of universal acceptability and of almost unlimited divisibility and aggregation, is absolutely necessary to that life. In the early stages of society, and in isolated communities, there is but little societary life, and there man is dependent upon but comparatively few of his fellowmen, while in a city like London, Paris, New York, Philadelphia or Chicago there are many thousands of individuals, each of whom daily calls for the services of millions of men. Indeed, the purchaser of a copy of the Herald, Tribune, Press or Ledger, in making that purchase, calls for the services of the millions of men who have, in any way, contributed to the production of one of these papers, even so remotely as by making the material of which the railroads or telegraphs have been constructed—by means of which the raw materials of the newspaper and the news have been conveyed—all the way through from the miners of the coal and the smelters of the metals in the machinery used in its production to the makers of the paper and the type, to the compositors, pressmen, editors, distributors, etc., etc. From the standpoint, and through the luminous ether, of the law of association or commerce, as at once the center, the circumference, the foundation, the all-pervading spirit of social philosophy, the study of the millions on millions of compositions, decompositions and recompositions of services, commodities and ideas involved in a pile of a single issue of a great daily newspaper, is indeed, the study of, and the royal road to the mastery of, the best part of social philosophy itself. Upon the student who feels a real interest in economic problems, I would, with great earnestness, impress this fact.

Money a Necessity Growing Out of the Nature of Man.

From the foregoing conditions it follows that the institution of money was a necessity which grew out of the nature of man. It had to be; it must now be; it will ever be while man inhabits the earth. Hence the charming facility and the ease with which mankind can be enslaved. Association or commerce being the first condition on which depends man's existence, and money being the necessary instrument wherewith to perform those exchanges of commodities, services and ideas which constitute commerce, it is only necessary to obtain control of the intrument to control the commerce itself and to enslave those whose commerce is thus arrested. To limit the volume of money below the wants of society, seize possession of a considerable portion of that money, and then hand over to some such private oligarchy as the Bank of England control over the issue of its most efficient substitute, is to reduce almost an entire people to the verge of pauperism and despair. The success of this movement by the money-power of England, aided as it has been by the economists, with their pretended God-given laws, has been as thoroughly drastic as any movement in history. Had a hostile army carried fire and sword from south to north, from east to west, throughout the two islands, even razing London to the ground, five and twenty years ago, the direful effects to-day would not be so apparent as those which have, since the

battle of Waterloo, resulted from the fettered currency of Great Britain and Ireland. When the present government of Great Britain and Ireland shall have been overthrown by revolution, as it certainly will be if it keeps on in its habitual course, the great first cause of that overthrow will be the destruction of the power of association by the throttling of the currency, and thus the creating of a society which, having no interest in common with the tyranny which claims to govern, can have no love for it and will not save it in the hour of its agony and death.

Money of Account.

One of the most striking illustrations of the intimate relations of money to the life of man is found in MONEY OF ACCOUNT, of which we think so much, talk so much, and, in books of account and statistics, use so much; indeed, that abstract thing, which is the most constant companion of our lives, largely constituted as they are, of income and expenditure, receipts and payments, credits and debts—all outgrowths of association or commerce with our fellowmen.

When any coin or weight of gold or silver, or any other article of value or of general acceptability, has for a considerable time been used as an equivalent or in payment for things purchased, the people using it assume the value of the article in question as the unit of a money of account, and employ it to express prices. By incessant use it is impressed upon and becomes familiar to the mind, is "committed to the memories of a whole nation," and "performs the same office with regard to the value of things that degrees, minutes, seconds, etc., do with regard to angles, or as scales do to geographical maps, or to plans of any kind." It becomes in fact "an arbitrary scale of equal parts, invented for measuring the respective values of things vendible."

The use of a money of account is in no respect a mechanical process by which other articles are compared by weight or bulk with gold or silver; but it is an arithmetical one, by which they are compared with a unit of value, which has had its origin in some coin or other commodity which possesses the quality of acceptability for the payment of debts and the purchase of commodities. Hence it is that a money of account, having been long in use, and become a part of the modes of thought of a people, often long survives the existence of the coin or other commodity upon which it was based. The money of account of the Bank of Venice, undisturbed for 500 years, had no coins to correspond with it, and the value of all coins was expressed in it. A money of account is a language in which all values or prices may be expressed, and by means of which the relative values of commodities may be stated. It is something which each and every one carries in his mind, as he does his knowledge of words or of arithmetic, and in so doing he is quite independant of any thought of coinage or of circulating notes.

Coins Not Standards of Value, But Standards of Payment.

It is customary to speak of coins as standards of value. They are not; value being "an intangible something which," to use the language of that clear economic thinker, David H. Mason, of Chicago, "cannot be measured by a tangible something any more than an idea can be measured by a quart cup or a foot rule." Coins, while one of the forms of the instrument of association, are standards of payment. The measure of value is the money of account, that intangible something, which has its existence in the necessity under which we, by the very nature of our being, stand, of exchanging commodities, services, and ideas, with our fellowmen.

History of Money—Immensity of the Waste of Labor Power.

Having seen how association or commerce is the primary necessity of man,

and how money, the instrument of that association, the "saving fund for labor," which gives "utility to billions of millions of minutes that would be wasted," is a necessity to that association, let us take a rapid survey of history and see what have been the respective effects of an adequate and an inadequate supply of money on the wealth, the happiness, the civilization of nations and on the stability of governments. In making this survey, let us bear steadily in mind the fact of the constant tendency, throughout the world, at all times, to the waste of labor power, a waste, in amount, far exceeding that which is utilized. Writing in 1856, when the population of the United States was but 28,000,000, Carey estimated the waste in this country at twice the actual productive power, or in value at $7,000,000,000 per annum. Here was an absolute waste of wealth, gauged in the money of account, at this stupendous sum, and which was a measure of the privations of the whole people, not merely of those whose labor power was wasted, but of those upon whom these idle ones would, had they been occupied, have made a demand for commodities, services and ideas. In a word, association or commerce among 28,000,000 people was thus prevented, to the annual amount of $250 *per capita*, a death-dealing blow to the happiness and the civilization of an entire nation, and for it the economists were mainly answerable.

Alexander the Great.

"Egypt and Babylon—the two great suns of the ancient world," says that prince of economic thinkers, R. H. Patterson, "attracted to themselves alike by trade and conquest, the treasures of gold and silver produced in the outlying portions of the world," and, as he adds, "the invasions and far-reaching conquests of Alexander the Great swept away and dispersed westwards a large portion of the vast stock of the precious metals thus accumulated in the east." In amount these treasures were immense.

Ancient Rome.

"But it was the iron hand of Rome which by a fresh wave of conquest, swept those treasures into Europe, to swell the pomp and power of Rome, to facilitate trade and civilization throughout the Mediterranean world, and to aid in sending forth the legions on their mission of conquest and civilization into the central regions of Europe, which till then had lain in a night of barbarism." At the date of the death of Augusts A. D. 14 and when the power of Rome was at its zenith, the amount of gold and silver money in the Roman empire, as estimated by William Jacob, was equal to $1,740,000,000. In addition to acquisitions of gold and silver by conquest in Asia and Africa, supplies were, in Europe, obtained from the mines of Spain, Saxony and Norway, as well as from those in the Carpathian mountains.

Slavery the Basis of Her Industrial System.

However, war and plunder could not forever sustain an empire. But little attention was paid to economic studies for many centuries after Aristotle. War and politics were more esteemed than any species of industrial occupation. To engage oneself at almost anything else was degrading. Agriculture was looked upon with some degree of favor, but even farm labor was largely performed by slaves belonging to the landlords. The light in which trade was regarded by the Romans may be gathered from Cicero, who in his *De Officiis* says: "The gains of merchants, as well as of all who live by labor and not skill, are mean and illiberal. The very merchandise is a badge of their slavery. All artisans are engaged in a degrading profession," and "there can be nothing ingenuous in a workshop."

Slavery was the very foundation of the industrial system of both Greeks and Romans, as war was of the national policy. The great Roman roads were build with a view to their military advantages,

and not to trade and industry. Agriculture was the principal industrial occupation of the Romans, who were alike indisposed to diversified industries and foreign trade. Blanqui says: "All the Roman legislation, from the glorious days of the republic to the fall of the empire, is but the faithful reproduction of the unconquerable prejudices of this people against labor and industry."

But all power, all glory, all civilization, rest on "the mudsills of society." A nation that will not labor shall not live, and so it happened that the Roman empire by degrees declined and finally fell. Those treasures, those vitalizing treasures, which were the result of conquest and robbery, and not of productive industry and trade, could not be retained. Asia, north Africa and Egypt, through production and trade, reclaimed and finally recovered that of which by war they had been deprived. Taxed beyond the power to pay, and the empire demanding "cheap bread," the Roman cultivators of the soil, like those of Great Britain and Ireland of to-day, abandoned the land. "Unable to compete with the untaxed imports of grain from Egypt and north Africa," says Patterson, "vast tracts of Italy had relapsed into waste before a single tribe of the barbarians had crossed the Alps."

Decline and Fall of the Roman Empire.

In A. D. 200 the quantity of gold and silver money in the Roman empire had, according to Jacob, fallen to $970,000,000; in A. D. 400, to $485,000,000; in A. D. 670, to $242,000,000, and finally, in A. D. 806, to $160,000,000. "Depopulation and poverty spread from Italy to Sicily and Greece, to hither and further Gaul, to Asia and to Africa," says Carey, "until at length, decayed at the heart, the empire passes away, having existed for almost a thousand years, a model of rapacity, dishonesty and fraud, and having, in the whole period, produced scarcely a dozen men whose names have descended to posterity with an untarnished fame."

Before the conclusion of the fifth century the Roman empire had fallen and the dark ages had commenced, and Europe was for seven centuries indeed in darkness. Barter took the place of purchase and sale in the association or commerce of mankind. The crusades, commenced in 1095, were the first means of bringing a new supply of gold and silver into western Europe, and the institution in 1177 of the Bank of Venice, and in 1302 of that of Genoa, mark, in a striking manner, the revival of industry and trade in Italy, but not of learning and of art, which came much later.

Discovery of America and Its Effects on Europe.

But throughout Europe generally there was but little commerce until after 1492, when the discovery of America, and with it the large accessions of silver and gold commenced, what may be termed the real modern era in the history of mankind. In 1492, according to Jacob, the total amount of gold and silver in Europe was but between $150,000,000 and $200,000,000. America having been discovered by Spain, she long continued to monopolize the precious metals obtained therefrom. Under the vitalizing influence of these supplies of the instrument of association, she soon became the most wealthy and powerful nation in Europe. It was largely through these means that Charles V was, in 1519, raised to the imperial throne as emperor of Germany, and that those armies were placed in the field which defeated and captured Francis I at the battle of Pavia, 1525, and assisted in repelling the Turkish invasion of Hungary. They were also an important factor in enabling the fleets of Spain, Venice and Pope Pius V utterly to prostrate the naval power of Turkey at the battle of Lepanto in 1571. Thus were the Spanish sovereigns enabled to bring their realm into association with men who had military service to give, as well as with those who had munitions of war and other sup-

plies and transportation to dispose of. The American production of gold and silver from 1492 to 1577 is estimated by Jacob at $415,000,000.

Appreciation in the Value of Man.

After this large accession of treasure, in great part available as an addition to the circulating medium, money is said to have "fallen in value." In other words, man had risen in value, had appreciated in comparison with the accumulations of the past; and well he might, when it is considered that in England, in the reign of Ethelred, A. D. 997, the price of a man slave was £2.16 3 of the money of the present day, or $14. But Lord Chatham's "Cannibal of Change Alley" always regards it as pre-eminently dishonest when his vested privilege of maintaining mankind in slavery by arresting their power of association among themselves, is interfered with by means of an increased volume of the necessary instrument of that association. When, then, man, following his real, normal and true destiny, gains power over existing wealth, the "cannibal" reasoning from the standpoint of money, and not from that of man, claims that money has fallen in value. This it certainly should do when it could buy a man slave for $14 of our currency.

Loss of the Precious Metals By Spain and Decline of Her Power.

But Spain did not retain this treasure within her boundaries. Her constant and extensive wars, and the condition of her internal industries and her foreign trade, in some measure owing to the expulsion of the most industrious of her inhabitants—the Arab Moors and the Jews—caused these precious metals, in spite of all her efforts, to be scattered over Europe. Even during the reign of Charles V, which closed in 1556, there commenced to be a scarcity of gold and silver in that realm, and Spain never, after the death of Philip II, at the close of the sixteenth century, fully recovered its position relatively to the rest of Europe. But we shall presently find, nearer to our own day, a parallel in the yield and dispersion of the gold of California, which, under the ruinous revenue policy of the orthodox economists, which policy reigned almost unchallenged from January 1, 1847, to March 3, 1861, that gold passed through this land as sand through a sieve, to be scattered throughout the world generally, we sustaining, by export, a net loss in the precious metals from 1848 to 1860 of $428,000,000. This left us with money scarce, interest exhorbitant, the power of association feeble, and a gigantic rebellion, with its fields of carnage, on our hands.

Yield of Gold and Silver By the American Mines.

From 1578 to 1809 the estimated yield of the American mines of gold and silver is given at over $1,100,000,000. From 1809 to 1848, when gold was discovered in California, the yield, owing to the revolutions of the Spanish states in North and South America, and other causes, was but moderate. But long before 1809 Spain had ceased to hold a monopoly of these supplies. Their decline, however, was an important factor in the history of Europe, and especially in that of Great Britain and Ireland, and to the consideration of the financial and monetary condition and policy of those kingdoms, from the closing years of the last century to the present day, I shall now ask your attention.

Great Britain and Ireland.

This policy and its effects are among the most momentous economic phenomena which ever enlisted the thoughtful consideration of a humane and enlightened being. There, in the United Kingdom, will you find the orthodox political economist at home, and aiding in firmly placing the money-power on top, yes, on top, and the great body of the people underneath; and having their happiness and their morals destroyed, their hearts

broken and their civilization trampled out of them. It is one of the saddest of facts that we speak the same language and habitually read the same literature as the English people, the dominant class of whom are engaged in repressing all that is noble and human in their own people.

The Coalition of Europe Against France, 1793.

Early in 1793 was formed the first coalition of Europe against France, under the leadership of Great Britain, and February 1, of that year, saw England at the threshold of a warfare with France, which was to continue, with but two brief intervals, until the victory of Waterloo, June 18, 1815. In addition to maintaining her own military and naval forces, she granted enormous subsidies in specie to her various allies on the continent. These great foreign expenditures, in time combined to draw from her nearly the whole of her gold and silver. Her annual revenue of £19,000,000 in 1792, had by 1815 reached the sum of £72,000,000. For 1814 and 1815 her total expenditures from taxes and loans represented the enormous sum of £117,000,000 for each year; and the national debt, which in 1792 was £231,000,000 had by 1815 mounted to £816,000,000.

Suspension of the Bank of England, 1797.

In February, 1797, a crisis was reached in the affairs of the Bank of England and on the 26th of that month the privy council directed the bank to suspend specie payments, and March 3, a statute permitting the issue of notes under £5 received the royal assent. On May 3, the bank restriction act was completed. The duration of this act was limited to June 24, 1797, less than two months, but it was actually in force for twenty-two years, "a remarkable proof" says a very able English writer on the currency, "of the fallibility of human legislation, and of human foresight." Under the operation of the restriction act, the circulation of the Bank of England in 1792, £11,300,000, was, by 1815, expanded to £27,200,000, while in the last named year, the circulation of private bank notes in England and Wales alone was, in addition, £19,000,000. The commercial paper under discount at the Bank of England, in 1792, £1,179,000, had in 1815 been expanded to £15,000,000.

Feeble Efforts Under a Fettered Currency.

Throughout the years 1793–6 Great Britain was hampered in her ability to put forth her military and naval power and found that power limited and but of little avail. With the exception of Howe's victory over the French fleet June 1, 1794, these were years of disaster and humiliation. "We were driven with disgrace," says Sir Archibald Alison, "from Flanders, Holland and the north of Germany; Toulon beheld our standards recede before the rising star of Napolean; our continental alliances were all, with the exception of that with Austria and Russia, broken up; and from the Texel to Gibraltar the whole coast was arrayed in fierce hostility to our arms;" and as he adds: "Nor was the internal suffering of this ill-omened period inferior to its external disaster."

Power Developed by an Ample Currency.

But February 26, 1797, brought to a close this season of imbecile statesmanship and feeble effort. William Pitt, the prime minister, pronounced the effects of restriction or suspension as equal to finding a mountain of gold. Without, perhaps, appreciating the philosophy of it, he knew the actual working of it. He was about to place the government in active association with the whole body of the people—the farm laborer, the operative, the miner, "the greasy mechanic," the "mudsills of society" generally, the real source of all wealth, all power, all glory in the state!

Then, and only then, did Great Britain turn for succor in the right direction, and she found it. Then followed Camperdown, the Nile and Trafalgar, and with this latter, October 21, 1805, annihilation of

French power on the ocean. Finally, Wellington had, in November, 1813, driven the French out of the peninsula into France after an unexampled series of masterly campaigns, dating from his arrival at Lisbon, April, 1809; and in 1814 Napoleon, unable any longer to maintain himself against all Europe, of which Great Britain was the backbone, abdicated to rise once more; finally, on the field of Waterloo, June 18, 1815, to see his star forever set.

Sir Archibald Alison's Picture of Prosperity Wealth and Power, 1797-1815.

The eighteen years "1797 to 1815 were," says Sir Archibald Alison, writing in 1845, "as the world knows, the most glorious, and as a whole, the most prosperous which Great Britain had ever known. Ushered in by a combination of circumstances the most calamitous, both with reference to external security and internal industry, it terminated in a blaze of glory and a flood of prosperity which have never, since the beginning of the world, descended upon a nation. * * * Prosperity, universal and unheard of, pervaded every department of the empire. Our colonial possessions encircled the earth. * * * The flag of France had disappeared from every station beyond the sea. Agriculture, commerce and manufactures at home had increased in an unparalleled ratio; the landed proprietors were in affluence; wealth to an unheard of extent had been created among the farmers; the soil daily increasing in fertility and breadth of cultivated land, had become almost adequate to the maintenance of a rapidly increasing population; our exports, imports and tonnage had more than doubled since the war began; and though distress, especially during 1810 and 1811, had at times been severely experienced among the manufacturing operators, yet upon the whole, and in average years, their condition was one of extraordinary prosperity."

Demonetization of Silver, 1816.

The necessities of the state had obliged the political economist, while ever ready to proclaim his opinions, in legislation, to stand aside. Public peril did not admit of his theories being put in practice.

The sound of the cannon of Waterloo had, however, scarcely ceased to reverberate throughout Europe before once more he came to the front and once more demanded recognition and to be allowed to run society—to regulate the currency. The government no longer had need to associate actively with "the mudsills of society." On June 22, 1816, an act was passed to provide a new silver coinage and to regulate the currency of the gold and silver coin. It repealed the act of 18th, Charles II, which permitted any person to take silver plate or bullion or foreign coin to the mint, there to be coined into current money of the realm without charge. Silver, up to that time, had been a full and unlimited legal tender. This act directed that the pound troy of standard silver, which had hitherto been coined into 62 shillings, should thenceforward be coined into 66 shillings and silver became a legal tender for not exceeding 40 shillings, gold becoming the only tender above that sum. Thus was the gold standard alone and for the first time provided for so soon as specie payments should be resumed.

Peel's Act of 1819 for Resumption, and Its Practical Effects.

In 1819 the economists, under the lead of David Ricardo, pressed to its passage the bill for resumption of cash payments, generally known as Peel's bill, and it was passed on July 2 of that year. Under this act restriction was to cease May 1, 1823, and all notes under £5 were to be retired. Ricardo assured the House of Commons that resumption would only result in a fall of prices of 5 per cent. The landed interest, with corn laws excluding

the importation of corn until it reached 80 shillings, the quarter, made no opposition and acceded to the enactment of the law.

In 1815 the circulation of the Bank of England was £27,000,000, and that of the private banks of England and Wales, £19,000,000, or combined, £46,000,000. In 1823 this latter aggregate had fallen to £27,000,000. In 1815 the commercial paper under discount at the Bank of England was £15.000,000, while in 1823 it had fallen to £3,100,000.

Fall of Prices and Wide-spread Ruin.

The passage of the bill of 1819 was followed by an immediate fall of prices, wide-spread ruin, bankruptcy, distress, pauperism and crime, as well as by alarming riots, and in 1825 by a financial crisis, in which the Bank of England was only saved from closing its doors by the timely discovery of an old box of £1 notes. Mr. Huskisson, a bullionist, declared at the time that the country was "within twenty-four hours of barter." The reform bill, passed in 1832, was the result of these calamities, which, being found unendurable, the people hoped for a remedy in an enlargement of the franchise. Ricardo subsequently acknowledged that he had been mistaken in his prediction as to 5 per cent fall of prices, and that he really knew nothing about that on which he had given his confident opinion. Ricardo was quite as accurate in his predictions of 1819 as he was in all he wrote on economic questions.

Failure of Peel's Act of 1819.

As already stated, after 1809 there was a serious decline in the yield of the gold and silver mines of North and South America. Even after large bodies of once well to-do people were wiped out of existence and labor pauperized, and on the theory of the "orthodox," Great Britain should be a good place to buy in and a bad one to sell in, it was found impossible to retain enough gold for the Bank of England to keep itself steady and avoid violent fluctuations. The law of 1819, even independent of the ruin it had produced, had thus proved a miserable failure.

Peel's New Quack Currency Act of 1844.

In 1844, Sir Robert Peel introduced a new quack currency measure, the authorship of which really belongs to Lord Overstone. This was "the bank charter act." Briefly, the bank could issue circulation to the amount of £14,000,000 on public securities. All issue above this amount require gold and silver, but the bank does not avail itself of the permission to issue on silver, issuing on gold alone. This act was the complement to those of 1816 and 1819, and its principles were, in 1845, extended to Scotland and Ireland.

Thus are the great body of the people of Great Britain and Ireland, in their efforts to exchange commodities, services and ideas, to associate among themselves, placed on a procrustean bed of the smallest dimensions. The population is 37,500,000, and the sole really democratic money—that of and for the people—is $100,000,000 of silver. They have but little to do with gold, and outside of Scotland, where the £1 note is still retained, less to do with paper, which elsewhere is not issued below the denomination of £5. The silver circulation is but $2.66 *per capita*. The whole circulation is estimated as follows: Gold, $550,000,000; silver, as above, $100,000,000; paper, $130,000,000, or $780,000,000 in all, or but $20.80 per head, and few of these "heads" ever handle anything larger than silver coins.

Great Britain the Land of Bank Inflation.

But Great Britain is the land of "inflation," not inflation of money, but of bank wind, called deposits, the creatures of the loans of the banks and the monetary instrument of the rich and powerful. These deposits are about £600,000,000, almost wholly resting on the Bank of England, for reserve. Thus do those who use deposits for the performance of the functions

of money exclusively, and alone, swing the whole power of the United Kingdom; while probably more than 30,000,000 of the people are dependant mainly on $100,000,000 of silver, a trifle of the gold and far less of the paper money, for the power of association. Thirty millions of people are thus always kept on the border-land of starvation; many in enforced idleness, and therefore is there annually, a waste of labor power far exceeding the amount of the public debt. This debt has become a permanent charge on the nation, because by the several acts of 1816, 1819 and 1644, the governing classes completely divorced the government from association with the great body of the people, "the mudsills of society," who saved it in the hour of its greatest peril, and without whom its salvation at this hour, as in 1797–1815, is an impossibility.

The Poverty of the People of England, Ireland and Scotland Primarily Due to a Lack of Currency.

The sad condition of the great body of the people of England, Ireland and Scotland is primarily due to the lack of an ample volume of democratic, *i. e.*, small money, circulating among the whole people. The measures of 1816, 1819 and 1844, in the face of the decreased volume of gold and silver in the world outside of Asia, reduced employment so greatly and prices so low, that cheap living became a necessity: Hence a demand for lower prices of all commodities. This resulted in a repeal of all protective duties, the whole world thus being invited untaxed to enter into competition with the taxed British subject in his own market, a monstrous wrong which the "orthodox" impudently and falsely calls "free trade." In 1848-51 the gold of California and Australia came just in time to save from destruction this infamous, this wicked system; but very naturally Great Britain has been unable permanently to retain within her borders any considerable portion of the immense supplies of this California and Australia treasure which entered her ports; $550,000,000 of gold being, as already stated, to-day all that she holds. And these supplies must become still smaller unless she restores her agriculture and her diversified industries by means of a tariff of duties on foreign imports, at least equal to the internal taxes, levied on home productions of like kind. English agriculture pays 14½ per cent. of its gross product in taxes; and foreign competing products would at this hour pay no less, but for the domination of the "orthodox" and his false, unjust and destructive philosophy.

France.

Turning now to France, we find a country of contrasts. The land is divided among a large body of holders; and the products of her agriculture and of her diversified industries are not, while being taxed, abandoned by a heartless government to the untaxed competition of the entire world outside. That government does not, under the lead of a clique of "orthodox" philosophers, demand the blood of its own, and at the same time require the cheap products of foreigners on whom no similar tax is levied. These conditions lead to the development of local action, through local power of association and she has a full volume of currency. With a population of 38,250,000 this currency consists of gold, $900,000,000; silver, $700,000,000; bank notes outstanding, $690,000,000, or an aggregate of $2,290,000,000, giving a *per capita* of $59 87, against $20.80 for Great Britain and Ireland. This is the chief source of her local power of association.

The French System and Its Effects.

But the system of government, emanating, as it does, from a center, Paris, and the system of finance, from that same center, and with the Bank of France having sole control over the circulating medium there is a combination tending forcibly to centralization; local action at the extremities declining, while the life

and power at the heart, Paris, grow at the expense of the life of those extremities. Still France flourishes, spite of her wars and preparations for war. The world says: "The Frenchman is incapable of self-government;" but for myself, after long consideration of the subject, I am forced to the conclusion that of all the people of the world, he is, in that respect, the most capable. This capacity arises from the fact that he will not for a single day tolerate a government which will rob him of his most sacred right, that of association or commerce with his fellowmen. Such an one he would overthrow, and that right quickly. Introduce into France the English system of government by a tyranical and relentless money-oligarchy, and it would be a nine days' wonder, for the rising sun of the tenth day would see it toppled over, and the tools of the oligarchy fleeing for their lives. I want no other evidence of the Frenchman's capacity for self-government than that the national debt of France is held by 4,000,000 persons, the agricultural land by 5,500,000 proprietors, of whom 5,000,000 are peasants, and that when in 1871 the government required a loan of 4,136,000,000 francs to pay the German war fine, he offered it 43,000,000,000 francs or over $8,000,000,000, over ten times the amount required. Verily "the tree is known by his fruit."

Germany.

It is with sincere regret that I find myself unable here to discourse on the silver blunders of Bismarck under the leadership of Herr Bamberger and our old orthodox friends—as clear a case of the blind leading the blind as will be found in history. To do justice to these gropers in the dark would require an entire lecture, devoted to them alone.

The United States.

Little time now remains to refer to our own country, but the lesson would not be complete without, at least, a passing allusion to its financial and monetary history. The opening of the war of the revolution found these colonies wholly without the means of prosecuting a war with a first class power. Then to add to the weakness that came of this want of means, the form of central government established was almost the weakest of which there is a record in the annals of mankind. The continental congress could declare war, make peace, make treaties with foreign powers, create a debt and issue money, and yet it had no power to levy a cent of taxes, It could apportion tax contributions among the colonies and states, but could not enforce collection of them; and these apportionments were collected only to a very inconsiderable amount. It therefore, practically, had no resource but the issue of paper money. There being no means of drawing this money into the treasury, by taxation, about $240,000,000 of it was issued when it was finally repudiated. Early in 1780 it was stated that specie "was never more plenty or more easily collected than at that time." These supplies arose out of the expenditures of the British army and the French army and navy in this country. In December 1780 Peletiah Webster, estimated the total amount of specie in the United States at from $10,000,000 to $12,000,000. But when peace came in 1783, with a general government which could levy no duties on imports there was practically free foreign trade; foreign goods flowed in and the specie flowed ont, all sorts of commodities being made a legal tender and so societary anarchy became wide spread.

The Power of the United States Government to "Regulate Commerce."

The government of 1789, under the constitution, had ample power not only to collect taxes but "to regulate commerce." This latter duty it failed effectively to perform until the enactment of the tariff of 1828. This policy was only maintained until 1835, early in which year the national debt, for the first time in the

history of nations, was extinguished. By 1837-42 the land under the free foreign trade policy of the orthodox philosopher, was a scene of bankruptcy and ruin and the currency in a condition utterly disgraceful to any civilized people. The government was unable in 1842 to negotiate in London a loan for a few millions of dollars. Finally, the tariff of 1842 was in August enacted and the orthodox philosopher for a season took a back seat. However, eventually, in 1846, he popped up once more, and the tariff of that year with all its horrors was the consequence.

The Gold of California and Our Inability to Keep It.

In 1848 came California, with its hundreds of millions of gold, but it brought no amelioration. Between 1848 and 1860 we sustained a net export loss in the precious metals, as before stated, of $428,000,000, and at times while this was going on men of the highest financial standing paid as much as 24 per cent. interest per annum. California simply staved off for a season national bankruptcy. It saw the people's diversified industries destroyed and themselves traveling in the direction of barbarism.

The Rebellion Due to Free Foreign Trade.

The south became poorer and more devoted to the worship of its two gods—cotton and slavery. Its great mineral resources and its other diversified industries remained undeveloped, and 1860 saw us face to face with the bloodiest and most gigantic rebellion in history. With diversified industries the power of association would have been developed; labor would have been utilized and improved in its physical and moral conditions; land, always rising in value as man rises, would have become divided, because too valuable to be held in large bodies by the landholder. With emancipation of the land would have come emancipation of the men, women and children, white as well as black, and slavery would have disappeared quietly, peacefully, as falls the soft and gentle dew, and the rebellion would not have been.

The Greenback, 1862.

However, rebellion came, the protective tariff of March 3, 1861, was passed, but the national financial and monetary conditions were quite unfit for such a war. After floundering round under the old system for nearly a year, in February, 1862 the greenback was issued, and an industrial military and naval power, then unknown or undreamed of, was developed. The people of the north flourished as they had never done before, the rebellion was crushed and slavery destroyed.

Peace, Hugh McCulloch and Contraction.

But hardly had the sound of the cannon of Appomatox died away before Hugh McCulluch issued his decree for the destruction of that wonderful instrument through which the government of the United States had been enabled to develop the marvelous power of association with the people which had accomplished such results. Peace as after Waterloo thus became not the harbinger of joy, but of misery, sorrow, degredation and crime.

Silver and Non-Contraction Legislation of 1878.

For nearly thirteen years we floundered on in the midst of bankruptcy, pauperism, trampism and growing anarchy both south and north, under the whip and spur of the orthodox philosophers, until by February 28, 1878, flesh and blood could stand it no longer. On that day one of the most important laws ever enacted by this government was passed over the veto of President Hayes. This law provided for the rehabilitation of the standard silver dollar. Under it, up to March 31, 1890, 360,000,000 of these dollars had been coined, of which all but $11,400,000, or $348,600,000 had passed into the circulation, either of themselves or through their certificates. To day this money is so far recognized as neces-

sary that we are on the eve of further and more liberal silver legislation. The predictions of the orthodox philosophers in regard to this coinage and its effects on the body politic, have been utterly falsified. On May 31, 1878, a bill was passed prohibiting the further contraction of greenbacks, and of them $346,000,000 now form a part of the circulation. All of these Hugh McCulloch and the orthodox philosophers proposed in 1865 to retire and destroy. For the present, at least, this illustrious company may be said to be occupying a seat tolerably far back. May they never get any further front in this country. To place the cost to the people of these United States of the domination, since the war, of the financial and monetary ideas of these philosophers, at $100,000,000,000, would be to belittle it—rather a costly luxury, which civilization can ill afford indefinitely to indulge in.

The Great and Supreme Law of Association.

Hold up the law of association among men, and view it from any of its countless sides, and the more closely it is studied the more it shows itself to be, to the world of humanity, what the law of gravitation is to the world or universe of matter. It is the philosopher's stone which transmutes, clears up the temporal mystery of man. This law dogs the outcast and the beggar, whose conditions preclude the possibility of active association; it places the offensive weapon in the hands of the modern boycotter; it says to the man who is tempted to go wrong, go not, for society will cast you out; it induces the laborer to toil and sweat, it spurs the mechanic and the artisan to become masters of their respective trades; it causes the student to burn the midnight oil, and the doctor, the lawyer, the professor to spend years in acquiring and imparting knowledge. The business man who struggles night and day to avoid bankruptcy does so that he may retain that financial credit which enables him to swing a power of association far in excess of that which his capital would give. Men build railroads, steamships, steamboats and hotels, and other men work them because of this law of association; the banker organizes his bank that he may control association and profit by it; governments impose taxes that they may call civilians, soldiers and sailors into association with themselves. An army is an armed association under officers who hurl it, regardless of life or death, against other armies, in order that another association, called the state, may live and flourish, and that its citizens or subjects may associate, exchange services, commodities and ideas among their several selves. The postoffice, with its machinery for the transmission of letters and printed matter and its postage stamps and money orders and the express in all its details, including C. O. D., are all outgrowths of the supreme law of association.

The Movements of Money.

In treating, thus far, of money I have only touched on its effects on association. Permit me now briefly to turn the proposition round and show the effects of association on money. Money *leaves* those places where there is no diversification of employments, and where money is scarce and interest high; where land, labor and other raw materials are cheap, and where finished commodities are dear. It *goes to* those places where industries are diversified, where money is plenty and where interest is low, where land, labor and other raw materials, being utilized, are high, and where finished commodities, through the intervention of brains, steam, electricity and machinery, are, as well as interest, low. In a word money travels *from* those places in which the power of association is not developed *to* those in which it is in the highest degree developed.

The Philosophy of Carey.

"Of all the varied answers to the old cry of human nature, 'who will show us any good?'" says a brilliant reviewer of Carey's "Principles of Social Science," "none are more sententious than Mr. Carey's. He says to kings, presidents and people, 'keep the nation at work, and the greater the variety of employments the better.' He is seeking and elucidating the great radical laws of matter as regards man. He is at once the apostle and evangelist of temporal righteousness," and as I myself would add, the very foundation of the law and the gospel of this temporal righteousness, as enunciated by its author is, in his own words, as follows:

"*Man, the molecule of society, is the subject of social science. In common with all other animals he requires to eat, drink and sleep, but his greatest need is that of* ASSOCIATION *with his fellowmen.*"

THE SILVER DOLLAR,

THE

ORIGINAL STANDARD OF PAYMENT

OF

THE UNITED STATES OF AMERICA,

AND

ITS ENEMIES.

BY

HENRY CAREY BAIRD.

"This bond doth give thee here no jot of blood;
The words expressly are 'a pound of flesh:'
Take then thy bond, take thou thy pound of flesh."

—*The Merchant of Venice, Act IV., Scene I.*

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PREFACE.

THE letters herewith presented to the public have appeared in the *Philadelphia Inquirer* from time to time, within the past three months. They were written and are now republished under a grave sense of the danger to which the people of the United States are exposed from the organized raid of the national banks and other dealers in money and credits, and their pliant tools in and out of Congress, upon the Silver Dollar, the original standard of payment of the United States of America, and the most thoroughly honest money, so far as both debtor and creditor are concerned, in which a debt can be paid. Let other nations do what they may with silver, gold or paper, we are a great enough one to legislate upon this subject for ourselves, just as we do in regard to tariffs, and our other internal and external affairs.

After a carnival of ruin, because of contraction, between 1873 and 1878, such as has never been exceeded in the world's history, engineered by the dealers in money and credits, and the holders of evidences of debt expressed in the money of account, on the ground that we should have "a metallic basis," the people in the passage of the bill of February 28, 1878, for the recoinage of the Silver Dollar, and that of May 31, 1878, prohibiting the retirement of greenbacks, at last arrested the forward movement of these forces of destruction. But ever on the alert to "spoil the Egyptians" the enemy is no better satisfied with the metallic basis which he now has in the Silver Dollar, than he was with the greenback, which had it not. Let no man now on any pretext whatsoever be allowed, in the interest of the holders of money and credits, to inaugurate for this generation a new era of spoliation by laying his unholy hands upon this dollar—at once a badge and a token of a great popular triumph. If he attempts it and he be in public life, let him be driven therefrom as an enemy of his country, and of mankind.

H. C. B.

PHILADELPHIA,
810 WALNUT STREET,
December 6, 1883.

From the Philadelphia Inquirer, September 19th, 1883.

"PILING UP THE SILVER."

To the Editor of The Inquirer:

SIR: On the 11th instant one of your contemporaries contained an editorial under the above caption, from which I make an extract, as follows:

"It is not long since the general public had a rather rough experience with trade dollars, and hundreds of thousands lost more or less of their earnings while said dollars were being cried down for the benefit of speculators. Nothing similar to that is likely to happen again soon with any other portion of our currency, but there is another kind of dollar which the people should be prodding their members of Congress about. An act of Congress is still compelling the mint to coin an average of two millions a month of the Bland dollars, which being legal tender are not likely to be run down in the hands of holders. But nobody wants them in payment of debt, if greenbacks, national bank notes or gold can be procured instead. Large masses of the monthly coinage still find their way to the Treasury, and the government is hard run to find space to pile them up, and has to build additional houses and vaults for the purpose. On the first day of the present month there were $114,320,197 of these pieces in the Treasury, showing an increase of $1,263,145, for the month of August, which was considerably more than one-half of the 2,300,000 Bland dollars coined during that month. Including the fractional silver coin, the weight of the silver held by the treasury on the 1st of September was five thousand two hundred and fifty-seven tons—ten million five hundred and fourteen thousand pounds of silver! Think of all that enormous mass that cannot be forced into circulation and Congress continuing the absurd policy of coining two millions more every month! If the mill should be kept going at this rate it would be but a question of time when the whole amount of the available funds of the government would consist of silver coin. The sooner, therefore, the government wakes up to this the better, and the quicker an urgent pressure is brought to bear on Senators and members of Congress the better that will be too."

Now, what do these gentlemen—these so-called bullionists, but really believers in bank and private credit—want more? Are they not content with having blasted the hopes and destroyed the happiness of well nigh a generation of their fellow-countrymen by the processes pursued in the accomplishment of their so-called "resumption of specie payments," a resumption under which no specie above a dollar is ordinarily used as "money current with the merchant"? Are they not satisfied with having destroyed the property of millions of the people of the middle and poorer classes and built

up a condition of monopoly which never before 1873 existed in this country, and which to-day hardly exists in any other country in the world—a monopoly in view of which one of the most acute of American economic thinkers has recently said that the New York Stock Board no longer indicates the real values of stocks, but only records the daily decrees of a dozen men, as did the Roman Senate, in the decline of the Empire, the will of the Emperor and master?

Thirty years ago or more I saw, as the frontispiece to a book on the American Indians, an engraving which then so strongly impressed itself upon my mind and imagination that I can never forget it. It represented an Indian seated on the shores of the Pacific Ocean and exclaiming, "And will the white man still pursue?" And now am I myself compelled in like manner to ask the question, "And will the credit-monger still pursue?" Will he never let us have peace, peace financial, peace industrial? Must we submit to his further demands until he entirely enslaves us, and the government and the country fall absolutely into the grasp of a dozen men?

The first, the greatest, the paramount need of man is that of association, the exchange of services, commodities and ideas with his fellow-men. This condition of man's nature it is which more than any other, fixes the fate of the human race, makes rich and poor, great and small, refined and degraded; causes some to live in palaces, while others shiver and starve in hovels. Now, money is the necessary instrument of this association. In its presence society becomes vitalized, as it did during the war of the rebellion; while in its absence it becomes paralyzed and dies; because of the want of the power of association. Credit substitutes do not wholly answer, because they do not reach the great body of the people, who really constitute the great force known as society; besides which, those who furnish these substitutes not only control the power of association in society, but they levy taxes upon society for the use of these substitutes, and thus become the most powerful of monopolists and the most exacting of tyrants.

These gentlemen were not satisfied with the greenback, to which we to-day owe our national existence, because it lacked "a metallic basis." They insisted on this so-called metallic basis and gave us the unutterable woes of 1874-79, under which our people suffered far more than they did at the bloodiest and gloomiest period of the war. To this fetich almost a generation was offered up, until throughout the land beggars, tramps and thieves —degraded men and women swarmed as they had never in this country done before.

Now, the silver dollar, the metallic basis, must go, because "nobody wants it in payment of debt if greenbacks, national bank notes or gold can be procured instead." Only a million of them could be "forced" into circulation in August. But these gentlemen were told day after day and week

after week for years during their war on the people in 1874-78, that paper money was the money of civilization. Nevertheless, their merciless war went on, and they insisted on the metallic basis, and they have it. There were 114,320,197 of silver dollars in the United States Treasury August 31, 1883, and on these had been issued $92,651,981 of paper money of a most acceptable character, known as silver certificates, and thus do these dollars circulate by virtue of their paper representatives to this amount, leaving less than $22,000,000 in the Treasury unrepresented by paper money. Thus is strictly carried out the metallic basis demand of the credit-mongers, and yet giving proof "as clear as holy writ" that the doctrine of the Greenbacker is true, and that PAPER MONEY IS THE MONEY OF CIVILIZATION. There would indeed be no use for these 5,257 tons of piled-up silver had we not the so-called bullionist among us; but unhappily we have him, and while he is here and in power, we must provide for his idiosyncrasy, and keep the basis piled up, a monument to his folly, but otherwise a heap as unnecessary as an equal quantity of cobble stones; but, nevertheless, a basis for the paper money absolutely necessary for our people to associate among themselves. That this money is actually required is proven from the fact that in spite of the $92,651,981 of silver certificates, the Secretary of the Treasury has found it necessary, in order to relieve a monetary stringency, to make weekly redemption of called bonds, without rebate of interest, and that the business world has gladly acquiesced in it. Take these silver certificates out of circulation within a year and fund them, and melt up the silver, and society would be resolved into its elements. Business chaos would indeed come again.

Much has been said about the government being "hard run to find space to pile them (the silver dollars) up," and of the necessity for it to "build additional houses and vaults for the purpose," and these things are repeated in the article above quoted; but all of this is beside the question. If this "piling up" of metal be necessary in order to give to the people paper currency actually needed, let the government find space, and build additional houses and still pile up the silver. This month I have seen, in a small New England town of 7,600 inhabitants a magnificent United States Government building of granite, merely occupied for a post office, etc., which is capable of holding several times the amount of silver dollars in the United States Treasury. Surely, if the government can indulge in such unnecessary luxury as this beautiful and substantial building in a village. it can supply space for the purpose of storing the metallic basis which the credit-monger alone renders necessary for the proper providing of the instrument of association for 55,000,000 of people.

But is this question of storing space as large a one as has been claimed for it? Is it not pretty much all talk in aid of a new movement for the con-

traction of the currency? Let us see; 6,144 standard dollars occupy one cubic foot of space: 100,000,000 occupy 16,276 cubic feet, and 114,000,000, the quantity in the Treasury, 19,000 cubic feet; whereas a room 65 feet long, 20 feet wide and 15 feet high contains 19,500 cubic feet, or more than the space required, without allowance for packages. Were fifty such rooms necessary it would not justify the government in refusing to give us the currency necessary to keep society and its affairs afloat, for while we are under the domination of the misnamed bullionist, we cannot get that currency without this metallic basis. Whether or not the time can come "when the whole amount of the available funds of the government would consist of silver coin" is a question of utter insignificance in comparison with the momentous issues at stake in the presence or absence of a sufficient or an insufficient currency.

So, gentlemen, until you shall allow the people a currency issued by the government without a metallic basis, they will insist upon the government piling up the silver dollars, and in the meantime you had better keep your hands off, for they will never again stand the iniquities of 1865-79! Give us but peace; peace financial and industrial, and we shall, as a result, have peace political, and advance in power, happiness and civilization, as no other people have done since the creation. In other words, let us alone!

HENRY CAREY BAIRD.

PHILADELPHIA, *Sept.* 17, 1883.

From the Philadelphia Inquirer, October 17th, 1883.

ECONOMIC QUESTIONS IN AMERICAN POLITICS.

To the Editor of The Inquirer:

SIR: If the adversity which has overtaken the Republican party in Ohio could be made instrumental in inducing our so-called statesmen—our politicians—to acquaint themselves with the true economic principles which lie at the foundation of individual and national well-being and of civilization, the uses of this adversity would, indeed, be sweet. Not only could the party to which these politicians belong carry elections and keep themselves in power, but the people would escape the constant trials and adversities which almost periodically overtake our country, so full of great natural resources, and with so intelligent and energetic a population.

It has been well said by a distinguished writer: "Men will sooner live prosperously under the worst government than starve under the best." Many will vote the Democratic ticket who despise that party and have no confidence in it rather than justify the acts of the so-called protectionist leaders in Congress last winter, who betrayed the cause of protection. The wool growers of Ohio, as I am advised by good authority, had much to do with the defeat of Foraker. Thus did they emphasize their detestation of the Congressional work of reducing the duty on wool, that particular part of the tariff which is the very bulwark of the policy of protection, appealing as it does to the interests of the farmer, for whom the politician entertains such great love, because he polls so many votes. In the Ohio canvass the Republicans largely ignored the tariff question, and at least one shrewd Democratic member of Congress from that State charged the Republican party with having abandoned protection, and claimed that the Democratic party was the real friend of that policy.

Late in the canvass in Iowa, one of the ablest writers and speakers on economic questions in the country, now living in Chicago, was invited into that field, and from a mutual friend I learn with the following result: My friend writes: "I have just been with . . . . and listened to a narrative of incidents and experiences in his late ten days' campaign in Iowa. He found the people hungering and thirsting for strong meat and pure waters of political and economic truths on the tariff question, and says, that if the campaign had been conducted from the outset with the tariff question in the fore front, we could have had a majority of 50,000 to 75,000. It is a most fortunate thing that he went out even at the eleventh hour of the canvass."

The question of the presentation of sound economic doctrines in our political discussions receives additional point and force in view of the fact that that great and powerful syndicate, the Bankers' Association, at its recent annual meeting in Louisville, not merely demanded the stoppage of the coinage of the silver dollar, but the retirement of the greenback. Indeed, it was not content with even these two measures, but took means to insure the perpetuation of the bonded indebtedness of the United States for the special benefit of the national banks. Now, any political party, whatever be its name, which lends itself to these schemes will be sunk so low that it will find itself "deeper than e'er plummet sounded."

The moral of all this is, that the leaders of the Republican party, if they mean to win in the Presidential contest of next year, must get to work, and that quickly, and study well the principles of the true American, or, if you choose, the Pennsylvania system of political economy.

HENRY CAREY BAIRD.

PHILADELPHIA, October 13, 1883.

From the Philadelphia Inquirer, October 23, 1883.

THE NATIONAL BANKS IN POLITICS.

To the Editor of The Inquirer:

SIR: The assumption of your correspondent "Banker," in your issue of the 20th inst., that the resolution of Mr. Lindenberger, adopted at the late Bankers' Convention, means the continued coinage of silver dollars, be they great or small, is entirely unjustified by the resolution itself. That resolution is as follows:

"*Resolved*, That the adherence by the government to a policy which will attract to its use an abundant supply of gold and silver, the recognized money of the world, and cause its general diffusion among the people in the currents of business, will encourage the most rapid development of our resources, stimulate to activity our productive industries, and promote the greatest steadiness and stability in the business of the country."

This resolution closely resembles those in the platforms of political parties, which are almost universally intended to be susceptible of a double interpretation, and I assert, without fear of successful contradiction, that it is impossible for any one but those who made and passed it, to say what it really does mean. That it means anything else but provision for a metallic currency, like that of Great Britain, consisting of a single standard, gold, with a subsidiary coinage of silver, I do not believe. That it points to anything else no one can, from its terms alone, confidently assert. The National Bankers' Association having largely gone into politics, it is not uncharitable to judge such a platform as this by the same standard as that by which we judge those of the ordinary politician. What Mr. St. John, of New York, a member of the Bankers' Convention, has said of the views of the convention is entirely beside the question. We must judge it by its official utterances as embodied in its resolutions, and those resolutions give no color to the idea that the convention was in favor of the continued coinage of a silver dollar of any weight whatever.

Your correspondent further says: "The Bankers' Convention at Louisville did demand the stoppage of the compulsory coinage of the so-called silver dollar, worth but eighty-five cents, and the forcing of it upon the people and banks as a legal tender for one hundred cents."

The above expressions show an entire absence of knowledge of the real attributes of money, and a singular confusion of the silver dollar with the metal from which it is coined. That this dollar is worth one hundred cents is proven by the fact that it is readily accepted at this rate in common with that of gold and the greenback by all dealers in merchandise in exchange for their commodities; these parties, too, being under no obligation what-

soever to take it under the law which makes it a legal tender. That it is not bound by or to the value of the metal out of which it is made is proven by the fact that while it contains but 412½ grains of silver it is worth some sixteen per cent. more than the trade dollar, which contains 420 grains, and circulates where the latter will not.

Money derives its power from its quality of universal acceptability among a race of beings whose first, greatest and paramount need is that of association—the exchange of services, commodities and ideas—with their fellow-beings, of which association it is the necessary instrument. The legal tender act of a government possessing the power to maintain and protect this quality in its money gives it the full attribute of money—indeed, constitutes it money. In fact, gold and silver derive much the larger portion of their value from the existence of such laws throughout the world. But bank notes, which do not possess this legal tender quality, and are, therefore, not money, pass freely because of their acceptability, growing out of their supposed convertibility into actual money. Nay, more, even bank debts called deposits, which are notoriously far in excess of the ability of the banks at any one time to honor, are freely accepted in exchange for merchandise and in discharge of debts, because of the knowledge that they can be used as instruments of association. The silver dollar is worth a dollar, and not one cent less than a dollar, because its government has constituted it such, and it is thus the legal representative of the money of account of the nation, in which taxes, prices, debts, credits, individual wealth, income and expenditure are expressed and the judgments of United States and State courts are decreed. It is freely taken, not only because creditors are obliged to take it, but because it will be freely accepted for taxes, national, State and local, and by all men in exchange for services and commodities.

That the silver dollar does not circulate more freely than it does is not owing to any want of value in it, but because paper money is preferred. This is, indeed, more marked with gold than with silver, there being perhaps to-day more dollars in silver in circulation in Philadelphia than dollars in the total gold circulation here. This is well illustrated in the disposition of the public to exchange gold coin for silver certificates, which are only convertible into silver dollars; a leading Philadelphia paper of the 20th inst., in its money article, saying:

"The steady coinage of silver dollars at the rate of $2,000,000 a month for several years has resulted in a sufficient volume of silver certificates this year to take the place of other currency to a considerable extent in the fall movement of money to the South and Southwest, where national banks are few. In fact, that part of the country has been sending gold coin to New York for silver certificates as a more convenient currency. The

amount of gold received at the New York sub-treasury from New Orleans, Galveston, Mobile, Memphis and St. Louis for which silver certificates have been demanded and sent back to the same points, from March 3d to date, is $11,000,000. In the nine days from October 9th to 18th it was $2,805,000."

This shows perfect confidence in the silver dollar, even if its paper representative be preferred to it, and fully disposes of the assertion of your correspondent, that it is worth but 85 cents, the public not being so devoid of sense as to exchange one dollar in gold for 85 cents. The real trouble with the silver dollar is that it is metallic, not that it is silver or over-valued, and that trouble is quite as serious as regards the gold one, the paper representative of the former being, as we have seen, preferred to the latter. In a word, PAPER MONEY IS THE MONEY OF CIVILIZATION, and the sooner this great fact is recognized the better it will be for all mankind. Neither metallic money nor a metallic basis for money is needed, and the retention and enforcement of these relics of barbarism resulting in the placing of the power of association under the control of those who can create and use bank credits, called loans, and bank debts, called deposits, means neither more nor less than the enslavement of a vast majority of the members of that society, who must either obtain the power of association or perish.

But your correspondent adds: "The continued compulsory coinage and circulation of the dishonest 85 cent dollar in such vast amounts renders it but a mere question of time when it will drive the honest one hundred cent gold dollar out of circulation, and, by forcing gold to a premium equal to the difference in value of the two coins, bring the business of the country down to the basis of the inferior silver coin. This is the catastrophe the American Bankers' Association seek to avert."

This looks rather plausible, but is there really anything in it? Let us see! *Gold is already practically out of circulation*, not by reason of any difference in the value of the currency which does circulate, but of the superior convenience and acceptability of the paper money, the money of civilization, which forms the bulk of the circulation. Gold can only disappear from the country by our running in debt for merchandise and services abroad, and should any premium result therefrom, it would assist in time in correcting itself by, to that extent, increasing American prices of foreign imports and turning the balance of trade in our favor. It would also enable us to deal more freely with Asiatic countries in which silver is the standard. So far from being an evil, it would be a blessing. Indeed, M. Leon Say, Senator and ex-Minister of Finance, acknowledged to be the most eminent financial authority in France, has recently published in the *Fortnightly Review* an article entitled "France and England in Egypt," in which he says:

"India is a country with a silver currency, and the adjustment of Anglo-

Indian commerce is extremely difficult now, and may become more so, by reason of the difference of money. Unless care be taken the movement of Anglo-American business will tend more and more to the detriment of Anglo-Indian business, and the United States will take the place of India as the intermediaries of English commerce with China. It is in the power of France to re-establish the equilibrium; having the same currency as India, she can bring back, via Suez, to Europe all that might escape by way of America and California."

Take the case of France itself, with a currency in which the relation of value in gold to silver is 15½ to 1, thus overvaluing silver, compared with our ratio of 16 to 1. The reserves of the Bank of France, October 4th, 1883, were as follows:

Gold, francs	974,052,571
Silver, francs	1,025,260,881
Francs	1,999,313,452

Which is probably about the relative proportion of gold and silver money in the country. There is thus indicated no immediate danger of her being left with an exclusive coinage of silver.

These are important considerations; but one far above them is that of the necessity under which our people, one and all, stand for associating—exchanging services, commodities and ideas—with each other. This is the first and paramount consideration, and until the effect of the policy proposed by your correspondent in controlling this great societary phenomenon is well and truly weighed, it cannot be considered as legitimately open for discussion on its merits. In other words, any merits which it possesses outside of its relation to association are unworthy of the name while we ignore its effects upon that great and controlling function of society.

For instance, it is capable of demonstration from the figures of the censuses of 1860, 1870 and 1880, that the cost of so-called "resumption of specie payments," in which no specie beyond subsidiary coin is used, except that which the Bankers' Association desires to drive out of circulation, involved a pecuniary cost to the people of the United States alone immensely in excess of the value of all the gold and silver coin in the world. How insignificant was a premium of twenty or even fifty per cent. on gold in comparison with this great loss, and yet this sacrifice was made merely to destroy the premium on gold, and not to produce payments in specie, which are alike impossible and undesirable.

This great catastrophe was largely brought upon us by the very class which was represented at the Louisville convention, and yet our finance ministers always first consult Wall street before recommending any important

financial measure, and the Comptroller of the Currency annually takes part in the discussions of the bankers' syndicate. That this class of men is incapable of judging or at least of recommending what is best for the people, we have the proof in the proceedings of the Louisville convention, so clear that he who runs may read.

In the face of the fact of a decline in the production of gold from the States west of the Missouri river from $44,880,000 in 1877 to $29,000,000 in 1882, and of the payment of the bonded indebtedness of the United States, which causes, necessarily, a contraction of the bank circulation, this body recommends the cessation of the coinage of the silver dollar, upon which $94,490,000 of silver certificates rest, and further the retirement of the greenback. Further, the evidence is not wanting to show that the bank syndicate means to take this work in hand during the coming session of Congress. Doubtless it is more or less influenced in these foreshadowed proceedings by a desire to coerce Congress into the issue of a long bond for the special use and benefit of the national banks; for the National Bankers' Association is by this time thoroughly at home in the work of influencing Congress on monetary legislation. It is already well understood that to the bank influence was largely due the passage of the tax and tariff bill of last winter, which has already involved so much ruin to every branch of legitimate business in the country.

The bank interest had better be a little cautious, or the national banks may finally succeed in making themselves as obnoxious to the people of the United States as the second Bank of the United States, and may meet a similar fate. Turkey and India are more completely ruled by the money-lending interest than by, respectively, the Turkish and British Governments; but let us hope that the day is far distant when the American citizen will submit to seeing the national banker placed in power over this government. He will not do it if he knows it, and he cannot long be deceived, the horrors of "resumption" having gone far towards opening his eyes, and each new financial cataclysm teaching lessons which are never wholly lost. Will this powerful interest take warning in time, and keep its hydraheaded self out of politics, and the control of the national and financial policy of the country? I for one fear it will not.

HENRY CAREY BAIRD.

PHILADELPHIA, Oct. 22, 1883.

From the Philadelphia Inquirer, October 30, 1883.

THE STANDARD SILVER DOLLAR AND THE BANK DOLLAR.

To the Editor of the Inquirer:

SIR: The resolutions of the Bankers' Convention, given by your correspondent "Banker," and of which he says, "when, taken together, they do not appear susceptible of the double interpretation suggested by Mr. Baird as to the one he quotes to sustain his position," can be wholly relieved of that charge which I made against the second resolution, only on the condition that the other five carry such clear conviction to the mind that, exclusive of the subsidiary coinage of silver, the convention was determined that the government should issue no money whatsoever but gold coin. The second resolution should thus be interpreted by means of the other five, and these go to show that the Bankers' Association desires as little money issued as it is possible to keep the people quiet under, and that the vacuum shall be filled by the notes and loans and the resulting deposits of the banks. This, too, is to the end that their profits may be swollen to the largest possible proportions, regardless of the immediate and direct injury to the public and of the increased instability of an already dangerously expanded and top-heavy banking system.

The resolutions are as follows:

1. *Resolved,* That the president, vice-presidents and Executive Council of this association be instructed to prepare and digest a plan, to be presented to Congress, for the continuance of the national banking system.

2. *Resolved,* That the adherence by the government to a policy which will attract to us an abundant supply of gold and silver, the recognized money of the world, and cause its general diffusion among the people in the currents of business, will encourage the most rapid development of our resources, stimulate to activity our productive industries and promote the greatest steadiness and stability in the business of the country.

3. *Resolved,* That a bank note circulation, absolutely secured and issued under ample safeguards for its redemption on demand in coin, is necessary for the convenient transaction of the business of the country, and such circulation can best be provided through the continued operation of the National Bank act, as has been attested by the experience of the past twenty years.

4. *Resolved,* That the retirement of the United States legal tender notes by a gradual process, not liable to embarrass the business of the country, will be in accord with the purposes of the government at the time of their issue; will be the final step accomplishing the full return by the government to a coin basis; will tend to an increased supply of coin; will give free course to gold and silver in commerce and financial currents, and afford an ample basis for the redemption in coin on demand of bank note issues.

5. *Resolved*, That it is the sense of the American Bankers' Association that the compulsory coinage of the standard silver dollars of 412½ grains is against the welfare of the country, and that they recommend to Congress the discontinuance of such coinage, except in such quantities as the demands of the business of the country may require.

6. *Resolved*, That the retirement of the United States legal tender notes, as rapidly as these notes can be retired, without, at the same time, contracting the legal tender circulating medium, will be the final step accomplishing the full return by the government to a coin basis.

Now, one great and glaring fault in the action contemplated by these resolutions, is that it is utterly impossible while ceasing to coin the standard silver dollar, which they demand, to accomplish "the retirement of the United States legal tender notes . . without at the same time contracting the legal tender circulating medium." The Right Hon. George J. Goschen, one of the very highest financial authorities in the world, and at the same time a great statesman, has in his address "On the Probable Results of an Increase in the Purchasing Power of Gold," delivered before the London Institute of Bankers, in April last, pointed out that while during the last ten years Germany, Italy and the United States have absorbed about £200,000,000 of gold, the annual average supply, which, between 1852 and 1866 was £30,000,000, fell between 1871 and 1875 to £19,200,000. "Thus," as he adds, "you will observe that we have had an extraordinary and additional demand of £200,000,000 sterling coming upon an annual supply of £20,000,000 sterling. The consequence is that this extraordinary demand has practically absorbed the total supply of gold for ten years." He might have added that in addition to this at least £16,000,000 was annually absorbed in the arts.

Where, let me ask, is this gold substitute for greenbacks, silver dollars and silver certificates to come from? Nowhere under the sun! It cannot possibly be had, and the result of the policy indicated by the convention, if carried out, would be to subject the country to a new, frightful and wicked ordeal of bankruptcy, ruin and demoralization, such as was experienced between January, 1874, and January, 1879. To this this generation will not again submit, and any attempt at it by either politicians or banks will result in the overthrow of the party so attempting.

The vital mistake which pervades the whole spirit of these resolutions is that they ignore the fact that association—the exchange of services, commodities and ideas—with his fellow-men is the first, the greatest, the paramount need of man, and the basis upon which all prosperity, power, intelligence and civilization rest, and that money is the great instrument of this association. The bankers would thus subordinate this great function of society to its mere instrument.

In the preface to that grandest of all the books ever written on money

and its substitutes, *The Ways and Means of Payment*, Stephen Colwell says, "The chief inquiry is not, What is the power of money? or, what is the use of money? or, what can be substituted for money? The inquiry which we prosecute to ascertain the nature and doctrine of money is, What is commerce, and what is the nature of the agency of money in its affairs? Money, with all its substitutes, is only one of many agents of trade, and, like many others, it is a pure matter of discretion and convenience how far it may be employed."

Would that bankers' associations and bankers' conventions and politicians, misnamed statesmen, would take to heart these words of wisdom, and direct their investigations to commerce among men, and not be blinded by self-interest and the value of the mere silver in the silver dollar and a supposed necessity for the government reaching a coin basis. Until the demonstration can be made that the Post Office Department shall properly limit the amount of the commerce of the Post Office by an arbitrarily fixed amount of postage stamps, instead of issuing the hundreds of millions which that commerce demands in a few months, the modes pursued by these associations and conventions cannot be defended. The fact that a postage stamp when it has performed a single service is canceled, does not alter the case. Each branch of commerce must have its proper volume of instruments, and must not be subordinated to those instruments. Hence the necessity for directing attention to the commerce, as Colwell has done, and not to its instrument, in entire disregard of what the wants of that commerce may be. The vicious nature of reversing the proper mode of proceeding is nowhere better shown than by the present position of silver. Regardless of the demand of men for association among themselves, the German Government in 1873, at the dictation of the monetary interest and its advocates, moved in the direction of the demonetization of silver. The following year France, Belgium, Switzerland and Italy closed their mints against the coinage of this metal for private account. The result was that the price per ounce of standard silver in London fell from 60⅞d. in 1872 to 46¾d. in 1876. It is now 50 15-16d. Now, the moneyed power in this country demands the exclusion of full legal-tender silver coin, because of the success which has attended the attempts of the same power in Europe to destroy the value of this metal, which represents about one-half of the coinage of the world. Was ever claim for power to direct legislation on a vital subject more entirely groundless?

But this same power is greatly alarmed for fear of "the deplorable evils of a depreciated and deranged currency" being brought "upon the country," and Mr. Coe, of New York, the leading spirit of the Bankers' Association, thinks that it "would be better that the whole amount of these rejected dollars that now incumber the Treasury vaults be sunk in the sea,

or, better still, that they be returned to their original condition of uncoined bullion and be thrown upon the market" than used for money.

Let us see what kind of currency it is which the national banks furnish to the people for a majority of the large operations of business. With May 1st, 1883, capital, surplus and undivided profits—their net worldly possessions—of $692,477,951, they had loaned $1,257,448,487, from which resulted private deposits of $1,067,962,238. These deposits, which are the offspring of the loans of the banks, serve as the chief source of currency for monetary transactions on a large scale, throughout the country, and had behind them of fractional currency, specie, including gold and silver certificates, legal-tender notes, certificates of deposit for legal-tender notes and funds with the United States Treasurer, but $198,227,747, or less than 20 per cent. of the deposits! But it may be urged that the depositors have security for these deposits through the $1,257,448,487 of loans. This is so only on the condition that payment of these loans be not demanded as they mature, without new ones to almost or quite an equal amount being made. Should all these banks cease for one week to make new loans, the original ones being demanded, a financial crisis would be reached. Thirty days of such proceedings would result in anarchy of business and society. Were it possible to cancel all these loans, the entire line of deposits would disappear, like the escaping gas from a balloon, for these deposits are merely the creature of the loans and could have no existence whatever without them. Hence these two are mere exchanges of private debts for bank debts, and with them the business of the country—the desire and necessity for association—is obliged to be content and pay, perhaps, $100,000,000 annually for the use thereof. Compared with the "eighty-five cent dollar," the bank dollar of Mr. Coe and his friends is nowhere; is utterly without standing in court. There is an old proverb which reads something like this: "Those who live in glass houses should not throw stones." Last of all men in the land who can consistently condemn the standard silver dollar are those connected with the banks, their own dollar being immeasurably inferior and below that dollar, the representative of a great victory of the people over those who would control their power of association among themselves—a power absolutely and imperatively necessary to their very existence.

HENRY CAREY BAIRD.

PHILADELPHIA, Oct. 29th, 1883.

From the Philadelphia Inquirer, November 13th, 1883.

OF MONEY, THE INSTRUMENT OF ASSOCIATION.

To the Editor of The Inquirer:

SIR: Your correspondent, "Banker," complains that I cannot or will not see that the resolutions of the Bankers' Convention "do not strike at the free coinage of an *honest* dollar of one hundred cents of silver, but only at the continued compulsory coinage and issue of eighty-five cents of silver as a legal tender for one hundred cents." Indeed, I cannot see it. It is impossible for me to see it. But if I did see and acknowledge it, it would not in the least increase my estimate of the wisdom of the convention, and, consequently, of the safety of the State in acting on its advice. If these gentlemen showed a willingness to give the country all the silver dollars which could be coined, even if of a continually fluctuating weight, it might give me a higher view of their humanity than if they endeavored to cut the people off wholly from the necessary supply of silver dollars and their certificates; but what could I think of their judgment?

Just imagine, if one can, such a state of affairs as would arise when the Director of the Mint should be obliged daily to telegraph to the superintendent of each United States Mint how many grains a silver dollar on that day should consist of; and that before he could do so he must receive telegrams from the great bullion dealers, Pixley & Abell, London, and James B. Colgate & Co., New York, as to the then market price of silver. It may be contended that no such idea as this, of a daily change in the weight of the silver dollar, is or has been contemplated. But when once the principle is recognized and the system introduced, it should properly be carried to its logical conclusion, regardless of all consequences. Let the Bankers' Association accept this horn of the dilemma if they think proper. It is fatal to them, as safe leaders of public opinion and founders of public policy. No people would for thirty days tolerate such a scheme in practice; no Congress which ever assembled under this government would dare to adopt it.

Your correspondent further adds: "He defends the issue of the eighty-five cent dollar by the government by claiming that the dollar of the banks is immeasurably inferior and below the silver dollar; and, further, by the claim that the purchasing power of gold has been increased because the demand for it has increased beyond the supply. In other words, the relative value of gold has increased as compared with other commodities, including silver. It is not admitted that the dollar of the banks (money of account) is inferior in purchasing power to the standard dollar of the nation; yet it

is difficult to understand why such alleged inferiority should justify the issue of another inferior dollar by the government. It is equally difficult to understand why the diminished supply of gold and its consequent enhanced value as a marketable commodity (supposing such to be true) should justify the issue of a dollar of but eighty-five cents of another marketable commodity and making it a legal tender for one hundred cents."

The silver dollar has received no such defense from me. It needs it not. I only claimed that those connected with the banks were barred—out of court—in any attempt to abuse the silver dollar as an "eighty-five cent dollar" when theirs, by the standard set up by themselves, was but a twenty-cent dollar. One thing which I strenuously insisted upon was that, by reason of its legal-tender quality, it was a dollar, and nothing less than a dollar, and I proved that large bodies of people thought so when they exchanged millions of dollars of gold for silver certificates, convertible only into silver dollars. Further, I now assert, without fear of successful contradiction, that this dollar, the original standard of payment under the law of 1792, is *the American dollar coin par excellence*, as it is the coin which gave rise to the unit of our money of account. The coin which represented a dollar was then only of silver, and we came by it and a knowledge of it by our trade with the Spanish possessions in America prior to the Revolution. The American coin represented the average of a large number of Spanish dollars in circulation, which were weighed by the Treasury authorities, thus reaching, in the nearest practicable manner, the then standard. This, therefore, is the very thing which most justly and equitably discharges a debt due to a creditor. It, indeed, represents the "pound of flesh which is nominated in the bond," the dollar of our money of account. To me it is not "difficult to understand why the diminished supply of gold and its consequent enhanced value as a marketable commodity should justify the issue of" this dollar, the original standard of payment, and which, with gold—not gold alone—made up our coinage. If our money of account, since 1853, has been too exclusively tied to gold and thus parted company with silver—the original standard of payment—this alone is a good and sufficient reason for our travelling back over that road and being guided by the old landmarks.

But just here let me expose a widespread and pernicious fallacy held by men as creditors. It is that they assume that they have a right not only to claim of their debtors *dollars*, "the current money of the realm," but also a certain amount of metal, with a certain market value independent of the value of the coin. If it is provided that they shall have a right to demand *dollars*, so be it; or, if a certain weight or measure of metal, potatoes, turnips, wheat, coal, iron or copper, so be it. But it cannot be both, unless it

be so stated in the bond. In the statement of the bond in the money of account, and its discharge in legal tender representing that money of account, the creditor has the advantage that he will receive the debt in that which has the quality of universal acceptability and which his creditor must accept from him at the same rate. This is all he has a right to demand. Money has a higher, broader, deeper function than the mere payment of the debts existing at a given moment. It is an absolute necessity to the existence of man in a state of civilization. Born the most helpless of all the animals, his whole intelligence, prosperity and power, even to his very speech, are the result of association with his fellow-men. This association, this great overmastering force of man's existence, involves such countless compositions, decompositions and recompositions of services, commodities and ideas that a medium possessing the qualities of universal acceptability, complete devisability and aggregation is an imperative need to him. This medium is known as money, and has happily been termed *The Instrument of Association.* In its absence these acts of association cannot take place, enforced idleness, a decline in the value of property and a decrease in production result, and society stagnates, decays and dies. Debts expressed in money of account remain as before throughout all these mutations; and the creditor only fails to enforce their payment when the goose which laid the golden eggs is either dead or dying. There are tens of thousands of people in this city, each of whom daily calls for the services of millions of men.

In view of these great functions pertaining to money the State simply tyrannizes over its people when it so legislates as to make it scarce and valuable for the benefit merely of the creditors of a given day, just as much as if it prohibited the invention of new steam engines, sewing machines, reapers, mowers and dynamo-electric machines for the benefit of the patentees and owners of old ones, which will be rendered valueless by the introduction of the new ones. All new inventions of machines and processes destroy the value of existing ones; even do the economies which result from the substitution of bank debts and credits for money take from the value of money itself. Society cannot and will not stand still for the sake of what the creditor calls his "rights." The demands are unreasonable and absurd, and have too long been allowed to shackle and arrest man in his onward career of development and civilization.

Your correspondent further says:

"If the government is justified in making a dollar of eighty-five cents of silver, and declaring it a legal tender for one hundred cents, why draw the line at eighty-five cents? Why not make the dollar of but fifty or even thirty cents of silver, when it only requires a fiat of Congress to make it a legal tender? And if the government has the power in this way of increasing the purchasing power of one marketable commodity used as

money, why not another? Why not reduce the number of grains of gold in the standard gold dollar one-half, and thus double the purchasing power of gold by still declaring such gold dollar a legal tender for one hundred cents?"

Why not, if the government alone coins it, and issues it, and receives it as a dollar? Why not go further, and entirely disassociate the money of account from any connection whatever with metals, except, possibly, in small payments, and then treat all coins of large denomination as mere bullion, to pass at its market value? Why not have the money wholly without so-called intrinsic value, of paper, and issued solely by the government? It would have a more substantial basis than the currency now furnished by the banks under the name of deposits. Speaking of the monetary legislation of Great Britain in 1816, and the fixing of the mint price of gold at £3. 17s. 10½d. per oz., Stephen Colwell says: "Whatever may be said of the policy of fixing the price of any article, even that designated for money by law, it cannot be questioned that it was a false step to endanger the steadiness of the money of account by fastening it to any coin or quantity of gold."—*The Ways and Means of Payment*, p. 50.

The greenback possessed the qualities thus indicated for a money by Colwell, and a year or two before his death Henry C. Carey expressed the deliberate opinion that that greenback, had it been retained as it existed at the close of the war in 1865, would have been worth all the sacrifices of that war. But the very power—the moneyed interest—which now protests against the silver dollar, the original standard of payment of this nation, insisted upon a "metallic basis," and in pursuit of this goal gave us the unutterable woes of 1873–79. It now has this basis in the form the most just and equitable which can be conceived, and still it is not happy.

The words from President Hayes's message vetoing the bill for the remonetization of silver, which your correspondent "Banker" characterizes as "brave and honest," sound very well; but when we consider that at that very time the administration of this President was engaged in the scheme of so-called "resumption" by contraction, which destroyed the value of hundreds of millions of property, confiscated the estates of hundreds of thousands, if not millions, of American citizens, curtailed the market for labor, brought penury and want, demoralization and crime, and almost destroyed society, these words do not so deeply impress us. The coinage of the $156,000,000 of silver dollars which President Hayes would have prevented, and the circulation of $40,000,000 of these dollars, and of over $99,000,000 of silver certificates, thus adding $139,000,000 to the currency of the country, have added to the wealth and power of consumption of the people that which cannot be measured by the total amount of silver coin in the entire world. How monstrous to sacrifice the comforts

and the civilization which are measured, materially, by such a sum of money, for the benefit of the creditors as such, who were in existence February 28, 1878, the day on which Mr. Hayes vetoed the Silver bill, which was passed over this veto.

HENRY CAREY BAIRD.

PHILADELPHIA, Nov. 6, 1883.

From the Philadelphia Inquirer, December 5, 1883.

THE BANKER AS AN AUTHORITY IN THE MONETARY AND FINANCIAL POLICIES OF NATIONS.

To the Editor of the Inquirer:

SIR: Permit me to invite your attention to the disastrous consequences of the fallacious custom prevalent in this and other countries of regarding the Banker as the one who should be above all others consulted and implicitly followed in the financial and monetary policies of nations. Because he is a dealer in money and credits, it is assumed by himself and by others, including finance ministers, that he must necessarily have the capacity to judge of the wisdom of the financial policies of States; and then, that having that capacity, he possesses in addition the unselfishness to recommend that which is best for a people, regardless of its effects upon himself—thus rising above the natural tendency of every class to take care of itself.

Experience has proven that few bankers have ever been eminent as finance ministers or economists. The very nature of the Banker's operations wholly unfits him from taking a broad, comprehensive and abstract view of the subject, free from the belittling effects of dealing in money and credits—watching his interest account—as a mere money-making business; just as the mere practitioner of physic, with his pills, potions, and plasters, thereby becomes unfitted to develop broad, comprehensive and philosophical views in regard to the causes of health and disease. To this necessity for attention to the petty details of disease in individuals, by so large a proportion of the medical profession, is due the fact that we have so little philosophical medicine, and so much medical empyricism. But the physician is no whit worse than the Banker. The people who commit their destinies to the hands of the Banker, will most assuredly be wrecked; for not merely is he incapable of taking a broad, statesmanlike view of their affairs, but even of taking an unselfish one. Having his worldly possessions largely in bank-credits, bonds, promissory notes, and other obligations,

irrevocably calling for money, and in money itself, he naturally sees in the enhancement of the value of money his own thrift. His position is totally different from that of the owner of mills, mines, factories, houses, stores, lands, and ships, which possess no value, except either as aids to the production or transportation of commodities, which must find a market, or as means of obtaining the rents of tenants who may revoke their tenancies, or as residences or places of business. The very process which builds up the wealth of the banker, destroys the property of the owners of lands, tenements, and ships, and of every class outside of those who hold irrevocable obligations payable in money, or money itself. So far, then, from being the first, the Banker is, thus, the last man in the State who should dictate its financial and monetary policies.

It may do as a temporary shift for a beggarly country, which needs absolutely the aid of the Banker, but never for a great, wealthy and powerful one, to allow him to dictate its policy. In 1836 when General Jackson made certain imperative demands upon France, which, as was then thought, rendered war imminent, Rothschild was asked whether Louis Philippe was likely to go to war with the United States; to which he replied: "No! I do not mean to let him;" but in 1861, before the greenback had been issued, and at a time when Secretary Chase found himself at almost the lowest depth of financial trouble, he on one occasion met the great bankers of New York, to ascertain what they would do in regard to making loans to the government. He was informed by these magnates that they would give him their "ultimatum" on the following day, to which he politely but firmly replied: "It is for the Secretary of the Treasury to make ultimatums, and not for the banks." Again, at a later period, but still before the issue of the greenback, when these same bankers desired to make him accept their irredeemable notes for loans, he told them that, "Sooner than be forced to do this, he would issue government circulating notes, until it should take $1,000 of them to buy a breakfast." These were brave and noble words, worthy of a great finance minister, and emanating from a man who would never have allowed a Rothschild to dictate to him, whether his country should be at peace or war; whether order or anarchy should reign. Still later, when he had ceased to be Secretary of the Treasury, at the close of the war, when a friend inveighed to him against the exercise of arbitrary power by the banks, he expressed his belief that the people would one day thank him for placing these banks in such a position that, if they did not behave themselves, "their heads could be cut off at one blow."

In the history of Great Britain there are two memorable instances of the potential influence of bankers in the national financial and monetary policies, and with the most disastrous results. The individual bankers referred to are Mr. Ricardo and Lord Overstone. In 1819, when Peel's bill for

resumption of specie payments was up for consideration before the House of Commons, Mr. Ricardo said that "He would venture to state that in a very few weeks all alarm would be forgotten," and that "at the end of the year all would be surprised that any alarm at all had ever prevailed at the prospect of a variation of three per cent. in the value of the circulating medium." His "particular reason for supporting the measure was" that, "by withdrawing paper so as to restore the bank note to its bullion value—*an alteration of only three per cent.*—all would be done that was required." —*Parl. Debates, 24th May*, 1819.

Mr. Ricardo's supposed decline of "only three per cent." in prices, turned out in practice to be fifty per cent., and with the result, which it is not too much to say, of an entire change in the drift and destiny of the British Empire; and that in the direction of the centralization of wealth and power in the hands of the few, to the detriment of the material, mental, and moral condition of the many. In a word, it built up monopoly on the one hand, and beggary on the other. Sir Archibald Alison, writing in 1845, says:

"No one can have considered the state of the British Empire during the last half century, without being convinced that some great and unprecedented causes have been at work in producing the prodigious fluctuation and change of fortunes by which its domestic history has in that time been distinguished. Nothing similar to it ever occurred without external disaster, or the actual overthrow of society by the ravages of war, since the beginning of the world. It is hard to say whether these changes appear most extraordinary on a retrospect of their effects in time past, or on a contemplation of their results in times present. They have exhibited a combination of prosperity and adversity, of strength and weakness, of riches and poverty, of progress and decline, of grandeur and debility, of joy and sorrow, unparalleled in any former ages of the world, and which, in future times, instructed by our errors, and warned by our sufferings, will probably never again occur."—*England in* 1815 *and* 1845*; or a Sufficient and a Contracted Currency, p.* 1.

So much for the work of Mr. Ricardo, and those who implicitly followed his advice.

In 1844 Sir Robert Peel brought forward his bill for the recharter of the Bank of England, and the regulation of its issues, thus attempting to steady the operations of the Bank by limiting the amount of its notes, instead of its loans—the latter being the only possible way of establishing a safe, conservative and steady banking system. The author of the theory upon which the Bank Act of 1844 is based, was Lord Overstone, and it was first enunciated by him in 1837. Three years after the act was passed, in 1847, it was first subjected to trial under difficulties, and after a severe financial crisis its operation was suspended, not however until Lord Overstone had accumulated a vast sum of money by the purchase of securities at a great depreciation. He himself afterwards acknowledged in his evidence before a parliamentary

committee that "the intervention of the government at that time was necessary," and added that "the consequences" of the non-suspension of the act by the government "would have been that the panic which had seized the public mind, would have gone to such an extent as to produce very serious confusion." Again in 1857 the act was subjected to trial and again it failed, and the government once more permitted its suspension; but Maclaren, in his *Sketch of the History of the Currency*, 2d ed., Lond. 1879, pp. 228, 229, says: "Lord Overstone was prepared to retain the act in force, come what might come—ruinously low prices for goods and twenty or thirty per cent. for money." Lord Overstone has died within a fortnight, leaving a fortune estimated at £20,000,000. Verily "he had his reward" for suggesting the Bank Charter Act of 1844, which never did him any harm and against the beneficence of which no word was ever known, to his dying day, to have escaped his lips, notwithstanding its failure and suspension on three several occasions—in 1847, 1857 and 1866, and its producing, as it did on each occasion, widespread ruin, among the great body of the people.

Let us now turn to our own experience with the Banker; commencing with the period immediately following the breaking out of the late war. The disposition of a large and influential class of bank officers to discredit the government circulating notes, before the issue of the greenback, was very strong. This spirit manifested itself particularly in New York, where some of the banks refused to accept these notes on deposit. The then president of what is now the Gallatin National Bank, one day during the pendency in Congress of the bill for the issue of the greenback, say in January or February, 1862, ostentatiously threw out some United States demand notes, which were offered for deposit, with the remark that he would "like to know what Mr. Chase would do when he found the banks refusing his notes." It was largely this unpatriotic attempt of bankers, at a time of great national peril and distress, to make their private interests dominate over the public welfare, that finally determined Mr. Chase to join the friends of the legal tender act.

Again, when in February, 1862, the bill for the issue of legal tender notes was first passed by the House of Representatives, it provided that these notes should be legal tender for all debts, public and private, without exception. When it got into the Senate, it was so amended as to except from its operation, interest on the public debt and duties on imports; thus making them payable in gold, and making that demand for gold, which caused it to reach the enormous premium which it did in 1864. This was almost exclusively the work of New York bankers. When the bill came back to the House of Representatives, Thaddeus Stevens in closing the debate said:

"I have a very few words to say. I approach the subject with more de-

pression of spirits than I ever before approached any question. No personal motive or feeling influences me. I hope not, at least. I have a melancholy foreboding that we are about to consummate a cunningly devised scheme, which will carry great injury and great loss to all classes of the people throughout this Union except one. With my colleague, I believe that no act of legislation of this government was ever hailed with as much delight throughout the whole length and breadth of this Union, by every class of people, without any exception, as the bill which we passed and sent to the Senate. Congratulations from all classes—merchants, traders, manufacturers, mechanics, and laborers—poured in upon us from all quarters. * * * * It is true *there was a doleful sound came up from the caverns of bullion brokers, and from the saloons of the associated banks.* Their cashiers and agents were soon on the ground, and persuaded the Senate, with but little deliberation, to mangle and destroy what it had cost the House months to digest, consider and pass. They fell upon the bill in hot haste, and so disfigured and deformed it, that its very father would not know it."

Coming now down to a later period, we find the Banker aiding, encouraging and abetting the Secretaries of the Treasury in their schemes of so-called "resumption of specie payments," by contraction which covered the land with ruin, and its consequent misery, demoralization and crime, and built up monopoly, by enabling the rich to buy at an extraordinary sacrifice the property of those who were obliged to succumb to the storm. This "resumption," now that it has been reached, is merely the disappearance of the premium on gold, and not payments in gold, which are neither desirable nor possible. The same result was accomplished in France in 1878, without entailing the least loss upon the people. With us it has changed the whole drift, tendency and destination of the country and its people, and a reinauguration of the policy of contraction, in any form, would finally and inevitably overthrow our institutions by transferring all power to the hands of a money oligarchy.

Not content with this great measure of confiscation under which all debts, public and private, expressed in the money of account of the United States, remained fixed, while lands and tenements, mills, mines, furnaces, factories, merchandise, railway property and businesses declined 50, 60, 90, or even 95 per cent., the Banker was not happy. In 1878, when the law for the remonetization of silver was passed, he took measures for discrediting it by refusing to receive it on deposit, except in limited amounts. Had he had his way the country would not to-day have the $139,000,000 of silver dollars and silver certificates which are now in circulation, and would not have recovered even as far as it has from the dreadful ordeal of bankruptcy of 1873–79.

Assembled in convention at Louisville in October last, the Banker took measures to stop the coinage of any more of these dollars and to retire the greenback, and while not embodying it in the resolutions, a scheme was

advocated for the issue of a bond in exchange for the full volume of greenbacks, to be sold only to banks as a security for their circulation. He now denounces the silver dollar, the original standard of payment of the United States of America, as an "eighty-five cent dollar." One banker has recently gone so far as to state publicly that the law providing for this dollar was "an outrageous one, and should be repealed immediately;" adding that "in olden times people have been tried, convicted, executed and quartered for less outrageous proceedings than making such a law." And yet Albert Gallatin, one of the most eminent men who has ever filled the position of Secretary of the Treasury, writing in 1831, says: "The act of Congress of the year 1791, which declared that the dollar of the United States should contain 371¼ grains of pure silver, has irrevocably fixed that quantity as the equivalent of a dollar of account, and as the permanent standard of value [standard of payment] according to which all contracts must be performed." —*Considerations on the Currency and Banking System of the United States*, p. 5. While not giving in full adhesion to this dictum, I confidently assert that there can be no more honest way of discharging a debt to a creditor in the United States than in standard silver dollars. If debts have been legally made payable in anything more valuable in the past than this dollar, the creditor has received more than his just due.

When the government adopted the greenback as the national standard of payment, it did it as a necessary means toward saving the nation for the joint benefit of the whole body of the people. When it desired to bring gold to par with the greenback, it should have waited until it could do so by the accumulation of gold through our mines and our trade, or at the cost of the whole people by the purchase of the gold. When it threw the burden upon those alone who held property liable to depreciate, and which did depreciate 25, 50, 75 or 90 per cent., or lost its entire value, it was guilty of repudiation pure and simple. This repudiation inured to the benefit of those who held promissory notes, bonds, ground-rents and other evidences of debt, expressed in the money of account, and which altered not, or money itself, and who were thus enabled under the forms of law to practice spoliation upon their legally disinherited fellow-countrymen. Much eloquence has been and is now being expended in defence of the *rights* of those who hold money or evidences of debt expressed in money of account, but few there are to recognize the *wrongs* endured by those whose debts are unaltered and unalterable, notwithstanding the fact that the value of their property is destroyed.

Were all other evidences wanting to prove the utter unreliability of the American banker as a financial and monetary guide for the nation, it would be found in the part which he took in regard to so-called resumption of specie payments, and in his efforts since February 28, 1878, to discredit and de-

nounce the silver dollar, THE ORIGINAL STANDARD OF PAYMENT OF THE UNITED STATES OF AMERICA, and pre-eminently and precisely "THE DUE AND FORFEIT OF THE BOND," indeed the very "POUND OF FLESH;" to demand more than which in payment of a debt expressed in the money of account of the United States of America, is to be guilty of extortion.

HENRY CAREY BAIRD.

PHILADELPHIA. December 4, 1883.

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From Pres. Angell
Apr. 23, 1894

ADDRESS

By The Right Hon.

A. J. BALFOUR, M. P.

MANSION HOUSE, LONDON,

AUGUST 3, 1893.

ADDRESS.

My Lord Mayor and Gentlemen, — Your chairman has well said that this meeting is not of a political character. The avocations of my life drag me a great deal into party strife, but here, at all events, I may speak upon a matter of public interest without speaking either as a Conservative or as a Radical. I take part in this meeting simply as one who, for many years — for more years, indeed, than I care to remember — has been interested in currency questions, and who feels that the peculiar necessities of the time require him to make public profession of the faith which in these currency matters is within him. Now, my Lord Mayor and gentlemen, I think it necessary to insist for a moment upon the fact that I appear here merely as a private individual, because it would be unfair to those gentlemen with whom in matters of party politics I habitually act if I were to do anything or to say anything which implied that they agree with the views which I hold upon this special subject. Some there are, indeed, who do agree with those views, but I cannot claim — I do not pretend to claim — that in the words I shall venture to address to you to-day, I in any sense represent the great body of opinion which prevails in that party with which I am identified. You will, perhaps, ask me by what title I come before you at all if I do not come before you as a politician. I cannot, as you are all well aware, claim to be practically conversant with the daily routine of commercial affairs. I am not an authority upon bills of exchange or upon banking matters, and therefore, if I speak neither as a politician nor as a man of business, you may well ask by what title I speak at all. Well, I do not know that I can give an answer to that question which shall be

absolutely satisfactory. I will only say that I am dealing with questions which, on their theoretical side at all events, have long engaged my attention, and that I was for some time, before the all-absorbing occupations of the Irish Office took me away from it, the chairman of a very important Commission which sat upon this very question of the currency, and some of the most distinguished members of which are present upon the platform with us to-day. One further observation I would make upon this part of my subject. I do not think — I have never thought — that it was necessary or desirable to disturb long-established practice, even with a view of substituting a new practice which should be in theory better. I belong by temperament and by conviction to a school which is ready to let well alone, and which, so long as the machinery will work, does not wish to inquire too curiously whether you could not invent a new machine which might possibly work somewhat better.

INTOLERABLE POSITION OF THE CURRENCY.

Therefore, although I have always held, as I hold now, that as a matter of speculative interest the double or joint standard is better than the single standard, I should never have thought of coming into the City of London to make a speech upon the currency unless I had felt — as many other people now feel, whatever their views on this question may be — that we are brought face to face with currency problems whether we will or no, and that every one who is concerned with the Commerce, the Trade, or the Manufactures of this country must make up his mind whether or not some of the evils under which we are now suffering cannot be shown to flow by a necessary and irrefragable chain of reasoning from the particular condition of the currency we have to employ. I do not imagine that anyone here will deny that there is a widespread feeling of anxiety on this question. I do not think anyone will deny now that we must all look back with regret to that date, now twenty years ago,

at which the German Government decided to abandon a silver standard and adopt a gold one. I do not think anybody will deny that the recent action of the Indian Government—I shall come back to that directly, although not in any controversial spirit — has shown that, at all events in one great community which had a silver standard, the present position of affairs is almost or quite intolerable; and I do not think anybody will deny that we are looking forward to the possible action of the United States in reference to silver legislation with the gravest anxiety as to what the results of that legislation may be. If that be so, and if the subject of the currency has thus come upon us as a practical question, touching us all intimately, I think I am justified in coming before you, and in endeavoring to consider with you some of the broad principles which ought to animate this great community in dealing with the question of the currency of the United Kingdom.

FUNCTIONS OF LEGAL TENDER.

Now, my Lord Mayor and gentlemen, what is it that we ask of a legal tender? We ask, in the first place, I apprehend, that it should be a stable measure of value; we ask that it should be a permanent and a fair register of the amount of indebtedness; we ask that if debts are contracted in terms of a given standard of currency, debts which take many years to mature, at the date when they do mature neither the debtor nor the creditor shall find that he has, through the altered value of that standard, to pay or to be paid more or less than the original amount that was borrowed.

BRITISH BIMETALLISTS NOT INFLATIONISTS.

I have heard it stated by those who object to the views which I shall venture to defend before you to-day that all persons who advocate a double standard are desirous of inflating the currency, and thereby of artificially raising prices. Now, I am not concerned to deny that possibly in the West-

ern States of America there may be a body of opinion of some importance on which this criticism might truly be passed. I speak with no authority on this point, and I may be quite wrong, but from such literature as I have been able to peruse, I think it possible that the inconvertible currency which at one time existed in America has left behind it in the West certain traditions and sympathies in favor of what, I believe, they call "soft money," which are open to the objection that those who hold them really desire not to keep the standard of values stable, but to lower it in favor of the debtor as against the creditor. But whether this be or be not true of America, I most emphatically assert that it is not true of anybody of opinion in this country. Nobody I know of, no responsible person whom I have ever met or ever heard of, desires artificially to inflate the currency with the view of stimulating trade, of relieving debtors, or of robbing creditors.

A DEPRECIATING STANDARD BETTER THAN AN APPRECIATING STANDARD.

We desire — I desire, at all events — that we should find the most stable measure of value which is practicable, although I have no hesitation now in asserting what I have often asserted before, that, if you cannot attain this absolutely theoretical perfection, it is better for the community at large that your standard should be a depreciating standard than that it should be an appreciating standard. Stability is the ideal, but if that ideal cannot be reached, the worst alternative of all is that your standard should be a steadily appreciating one.

BIMETALLISM CONDUCIVE TO STABILITY.

Very well, if that proposition be granted, I ask you whether you think it probable, or even possible, that a general single gold standard should satisfy this requirement

of stability, or at all events that it should satisfy it so effectually as a joint standard. Of the possibility of a joint standard I will speak presently. I wish you to assume for a moment that it *is* possible, and I wish to ask you whether, on this hypothesis, stability cannot be better maintained by it than by a single gold standard. To those who are in doubt as to what answer they shall give I put this further question: What are the causes which interfere with the stability of a standard?

THE FIRST CAUSE OF INSTABILITY IN A STANDARD.

The first cause of instability which I may mention is any alteration in the terms on which the metal is produced. Few discoveries on one side, the exhaustion of mines upon the other, new processes, new inventions — all these things, which either augment or diminish the supply of gold in the world, must have ultimately the effect of altering a gold standard. But if you have a joint standard — if, in other words, you can count for your supply of currency, not merely upon the gold supply of the world, but upon the gold supply *plus* the silver supply — it is evident that the effect of any single cause of change is diminished, because it is spread over a wider area. If you have a cistern holding, let us say, a thousand gallons, and you choose to divide that cistern into two halves, each holding five hundred gallons, then it is evident that to withdraw from one of those compartments one hundred gallons will make a far greater change in the level of that compartment than if the whole cistern were one and you withdrew your hundred gallons, not from the five hundred gallons, but from the undivided mass of a thousand gallons. That is an elementary way of looking at it, which, elementary though it be, will probably bring conviction to those who will carefully consider it. So much for the first cause of variation of the standard, on which, I think, you will admit that a double standard has advantages over a single standard.

THE SECOND CAUSE OF INSTABILITY.

The second great cause of the variations in the value of a standard currency arises from the increased demand for it, due to the normal growth of commerce and of population, and the consequent increase in the number of transactions in which it plays a part. The legal standard, whatever it may be, is the measure in which all these transactions take place, and, if the world is to grow in population and in commerce, it is evident that, with each such growth, with each increment of population, with each augmentation of commerce, you throw a greater strain on the currency by which the transactions of the community are effected. But again I say, if this strain is thrown, not upon a gold currency alone, but upon a gold standard, *plus* a silver currency, any given change will produce much less variation in the value of the legal standard than if it were confined either to gold alone or to silver alone.*

THE THIRD CAUSE OF INSTABILITY.

I now take the third cause of variation; and the third cause of variation I take to be legislation. There are some people who are apparently under the impression that legislation ought to have nothing to do with these questions of the value of a standard. But that is an entire delusion. The very term "legal tender" implies that the tender is the creation of law, and, because the creation of law, the artificial creation of the community. Therefore it is that, if each State is to legislate for itself without consultation with other States, the action of any State may throw the whole monetary interests of the world into confusion, and may produce an enormous variation of the standard which it is the first interest of every community to keep stable. I do not believe that any human being in this room doubts the accuracy of that proposition.

* NOTE.—The extension of Banking facilities, &c., of course, operates in the opposite direction.

The fact that Germany took it into its head to have a gold standard in 1873, the fact that the Indian Government has been driven, I will not say to have a gold standard, but to have something which at least is not a silver standard in 1893 — these are facts that must have brought home to every man conversant with business that the legislation of individual States has the profoundest effect upon this element of stability which should be the most important characteristic of every standard of value.

BIMETALLISM BENEFICIAL TO COMMERCE AND FAIR TO DEBTORS AND CREDITORS.

With respect to this part of my argument, will not every one admit that if it be possible by international arrangement to establish a joint standard throughout the world, it would not be open to the objection which a single standard is open to, namely, that by the isolated action of an individual community the medium of exchange and the standard of debts should be altered in other communities however remote and however politically independent. Therefore, it is that from the point of view of stability — the greatest and most necessary of all qualifications for a standard of value — sound policy points to the general adoption of a double standard. By this means, and perhaps by this means alone, we shall avoid the international scramble for gold which seems to be imminent, and which must carry in its train untold disasters to nations and to individuals.

But stability, though the most important, is not the only element necessary or desirable in our legal tender. I will give you another quality which it should possess.

THE ADVANTAGES OF ACCESSIBILITY.

It should be accessible, and I will explain what I mean in a moment, so that every man acquainted with business in this city, shall, at all events, whether he agrees with me

or not, understand my meaning. You all know that our system of banking in this country is carried on practically upon the plan of a single reserve, and you also know that that reserve is, relatively to the amount of transactions based upon it, a small one. I am not criticizing that system — it has been criticized by very great authorities — but it is not my business to say whether it is good or bad. It evidently has great elements of advantage; it also has, I venture to think, certain elements of insecurity. It is certainly economical; possibly it is dangerous. What I want to call your attention to, however, is that this system of a single reserve, a small reserve, and a gold reserve, whether good or bad, does absolutely require that at any moment the Bank of England should be able to get what gold it wants if it is ready to pay for it. Now, are you quite sure that in every condition of political and international feeling it would be easy or even possible for that gold reserve to be rapidly increased to the point required by safety? I understand that the present system is this — that if it be thought by the authorities that there is not enough gold in the Bank of England the Bank rate is raised, more interest is promised on money, and to obtain that interest gold flows in from abroad.

CONTINENTAL GOVERNMENTS AND GOLD RESERVES.

But is it not true that at the present moment those who have command over the great gold reserves of the Continent are, in the last resort, the Governments of the Continent? We in this country are not accustomed to allow our Government to interfere to any great extent in our commercial affairs; but am I not right — I speak with sincere diffidence on this subject, and I may be wrong — but am I not right in saying that at the present moment the great military Powers of the Continent have over their gold reserves a control of which in this country we have no notion? Is it not also true that, perhaps at the present moment, certainly at a very

recent date, there were Governments on the Continent which had in their possession claims on London which could only be payable in gold at very short notice? I believe that is so. Now, I do not think that this condition of affairs matters very much when all the world is at peace, and when all the nations of Europe are on "kissing-at-sight" terms; and for this reason: — that the misfortunes of the London market must, necessarily, spread to the Paris market, the Vienna market, and the Berlin market. If London suffers, other great financial centres suffer also, and it is their interest, therefore, to see that in so far as in them lies any great crisis in London should be averted. But let us suppose for a moment that this happy state of things between the nations of Europe were to alter, and let us suppose that one or more of these great Governments on the Continent were to think they could obtain a political or even a military advantage by depriving you of the necessary stock of gold. I confess I cannot see that it would be a difficult operation. I may be quite wrong; I am speaking to those who are far better acquainted with the actual working of the financial machine than I can pretend to be; but I cannot see that if a foreign Government, determined to produce a disaster in the City of London — there would be anything to prevent it from doing so.

A BROAD METALLIC BASIS.

If, however, you depended for your reserves, not upon gold alone, but upon gold and silver — if you could, therefore, draw your necessary metallic basis from a far larger area than you can now do — it appears to me that the danger which I have ventured to indicate, whether it be great or small — whether it could be altogether removed or not — would be in any case greatly mitigated. Therefore, I venture to think that from the point of view of accessibility also, a joint standard has enormous advantages over the single standard, to which we are at present committed.

THE ADVANTAGES OF "INTERNATIONALITY."

There is one further quality a standard of value should possess which I will venture to call to your attention — it should be international. It appears to me to be a mere relic of barbarism, a mere survival from the middle ages, that that which is legal tender in one country should not also be legal tender in another country. This mattered very little — it did not matter, indeed, at all — so long as a par of exchange between gold and silver was maintained by the fact that the Latin Union and the United States were bimetallic, but the full absurdity of the position surely comes out when, through the abolition of that bimetallic arrangement, we see the value of the legal standard in one country diverge so largely, nay so extravagantly, and violently from the legal standard of another.

DISADVANTAGES OF DIVERGING STANDARDS.

It is not necessary for me to point out to any body of gentlemen engaged in business, not only that such an arrangement is ridiculous, but that it is in the highest degree detrimental to the interests of commerce; and the injury which it inflicts is of a twofold character. In the first place, the fact that the exchanges are uncertain throws a shade of uncertainty over the affairs of every man who has business with a silver-using country, and, in the second place, the existence of this great divergence between gold and silver does, in certain circumstances, most unquestionably act as a bounty upon production in certain classes of agriculture and manufacture. I am not going to argue that question, because I do not think it is denied by anybody. I admit that it is probably more or less temporary in its operation, but while it lasts — and it may extend over many years — we are in the absurd position of insisting upon maintaining a form of currency which really gives a bounty to those producers abroad who are competing with our own manufacturers and our own producers at home. Well, my Lord Mayor and gentlemen, surely if it can be shown, as I have endeavored

to show, that as regards its stability, as regards its accessibility, and as regards its "internationality"— to coin rather a barbarous term — if it can be shown that as regards all these qualities the joint standard is incomparably better than the single standard, and if it can be shown that the evils that follow from the single standard are not obscure and theoretic evils, but are concrete, menacing, insistent, touching every interest, touching every class, I have, at all events, made out a very strong *primâ facie* case why every man should honestly examine for himself and see whether the current and popular objections in this country to a joint standard are or are not well founded.

BIMETALLISM ADMITTEDLY POSSIBLE.

I hesitate — in fact, I think I must decline — to go in detail into some of the criticisms that have been passed upon what is called bimetallism. I am well aware that there is a vast mass of opinion — I think not well-informed opinion — to the effect that a man who maintains the possibility of bimetallism should be ranked with those who think that the sun goes round the earth or that the earth itself is flat. But I may say without offence that those who hold this opinion show themselves but little instructed in the recent history of the subject. It is permissible for those who base their opinion on these matters upon the imperfectly remembered scraps of economic knowledge picked up fifty years ago, it is permissible for them still to hold the view that a bimetallist is a harmless lunatic who, if he only confines his lunacy to this particular question cannot be regarded as more dangerous to the public peace than any other confirmed bore. But I do not think that any man who has seriously considered the literature of this subject during the last generation holds this opinion, or can possibly hold it.

BIMETALLISM ENDORSED BY ECONOMIC AUTHORITIES.

I doubt whether there is a single economist of reputation under sixty years of age who will commit himself to the view

that it is impossible to maintain the joint or double standard. And if it be in truth an absurdity to suppose that this double standard can be maintained, then, indeed, political economy is in a bad case, because from every chair of that science I venture to say, in this country and America, not to speak of Holland and other Continental nations, I believe it is taught that the bimetallic theory is a theory which will stand critical examination. Recollect I am not asserting that every distinguished economist is a bimetallist, — that is quite another proposition. I am not asserting that all economists would, if they could, establish a double standard in place of a single standard; but no economist of repute will lend his name to the idiotic objections — if I may use the expression without offence — to bimetallism which you will see in some of the daily newspapers, — objections which appear to be founded upon the view that to hold that a stable ratio can be maintained between silver and gold is something like holding that value is not determined by the laws of supply and demand, or the cost of production, but that it can be settled by the mere fiat of a Government. Those who hold that view show an ignorance of the very elements of the question which, if it be not invincible, can perhaps best be cured by a course of the leading text-books on the subject.

BIMETALLISM IS BASED ON THE LAW OF SUPPLY AND DEMAND.

They do not appear to have realized that, as it rests, and must rest, with the Government, with every Government, to say what shall be legal tender within the limits of the State, so it must rest with the Government to determine whall shall be the greatest cause of demand for that which it says is legal tender; and, therefore, to suppose that you can dismiss this doctrine by saying off-hand that it is inconsistent with the laws of supply and demand, is to forget that the establishment of bimetallism is itself the creation of a demand; and to ignore the fact that the bimetallic theory affords the

most beautiful illustration, perhaps, from a theoretic point of view, of the operation of the laws of supply and demand in a specially interesting and instructive case.

I have usually found that those who most denounce theory at all events are usually easily convinced by what they regard as practice. But even practice and experience in this case are not enough to convince the theoretic monometallists. If they are deaf to arguments they are not less blind to facts; and they persist with admirable consistency in shutting their eyes to the embarrassing truth that, so far from bimetallism being an impossibility, it has been the actual system in force over long periods of time and over great districts, and that when it was in force it produced every effect which bimetallists have ever claimed from the employment of the double standard.

THE NEMESIS OF ORTHODOXY.

I am given, indeed, to understand that those who deny the theoretic possibility of bimetallism call themselves "orthodox economists." I confess I think the word "orthodox" is liable to considerable abuse even in the regions of theology. It should be absolutely banished, in my judgment, from the regions of science. But if you insist upon using it, then permit me respectfully to remind you that there was a period when the orthodox view of science was that heat, for example, was some subtle material pervading all things. That was "orthodox." We now know that it is not a material, but that it is a mode of motion. For many years that was heterodox. But simply because the view forty years ago in England — and in England alone, mind you — was that monometallism was the doctrine of scientific economy, are we, therefore, for ever to be hide-bound in this view? Are we to neglect every speculation which has since been made? Are we to ignore the investigations of men like Jevons and all the distinguished economists who have followed? And are we to shut our eyes and to stop our ears against any change, not because it

is in itself inexpedient, not because it does not promise great advantages to the commercial world, but because, forsooth, you may unearth a speech made forty years ago by Sir Robert Peel, in which it appears that he took a different view? My Lord Mayor and gentlemen, what has been the Nemesis upon these extreme adherents of what they are pleased to describe as "the orthodox doctrine?"

THE SITUATION IN INDIA.

You cannot have a better object-lesson than by turning to the recent financial history of India; and what has happened there? I am not going to say a word of blame or criticism on the Indian Government. They found themselves — partly, I fear, from their dependence on us — in an impossible situation.

THE INDIAN GOVERNMENT DEMANDED INTERNATIONAL BIMETALLISM.

Year after year they begged for some change in the direction of a general agreement among the nations which should maintain the value of silver. Year after year their demands were met with an absolute refusal. At last they showed that their case was desperate. As they are not allowed to have the remedy they asked for, they are given — I will not say a remedy, but an expedient, which they did not ask for, or asked for only in the second place as an unhappy alternative; and it would be indeed ungracious if we were to make any attack upon them for the course which they have felt themselves driven to adopt. Neither do I mean to make any attack upon the Government at home, who were no doubt primarily responsible for the course that has been taken. It will be sufficient if I describe to you what that course is. The Government of India, acting under instructions, have closed the mints in India.

THE RUPEE NOW AN ARTIFICIAL COIN.

By closing the mints in India they have made the rupee an artificial coin. They have made its value depend, in other words, not upon the demand and upon the cost of production, but upon the supply as determined by the Executive. Now, I want you to realize exactly what that means. I have said before that the idea that the Government can avoid affecting the value of the legal tender is absurd, because every Government has to determine what the legal tender shall be, and therefore it no doubt is the fact that the State must interfere with the demand either for silver or gold, because it says that either silver or gold, or both, shall be the legal standard. But what has always been thought a most dangerous, if not an immoral, condition of things is that the State should not content itself with determining what the standard should be, but should itself regulate the supply of that standard, and from day to day put it in its own power, as the Executive, to say what should be the value of the legal tender in which every debtor should pay his creditor and every creditor should obtain his money from his debtor. It is true, as I understand the proposal of the Indian Government, that a silver rupee can never rise above the value of 1s. 4d. But while that is the superior limit the inferior limit evidently is the value of silver — the value of uncoined silver; and what the value of uncoined silver is to be after the late action of the Indian Government and the possible future action of the American Government, it will take a much greater prophet than I am to tell you.

INDIA HAS NOW AN INCONVERTIBLE CURRENCY.

But the fact is that at the present moment those who profess themselves the disciples of Sir Robert Peel have made themselves responsible in India for an inconvertible currency — an inconvertible currency which is not the less open to the objections always urged against an inconvertible currency

because it is of silver instead of paper, and because it is appreciated rather than depreciated. The effect is the same and the cause is the same. The reason why most Governments have indulged in the expensive luxury of issuing an inconvertible currency is that they found it otherwise difficult to pay their debts. That is the motive also of the Indian Government and if the special and very peculiar circumstances of India make it desirable for the Indian Government that the currency should be appreciated, in order to carry out that object, rather than, as is usually the case, that it should be depreciated, none the less does it remain true that we have made ourselves responsible for an inconvertible currency in India, which puts it in the power of the Executive, within very wide limits, to determine not merely the demand but the supply of the legal tender of that country.

HOARDS OF UNCOINED SILVER IN INDIA.

It is not my business to dwell upon the further and the additional reason which makes me look with apprehension upon what has been done,— the reason, I mean, founded upon the vast hoards of uncoined silver in India. Those hoards amount, according to such estimates as I have seen, to something between 130 and 200 millions sterling. Before the recent Act of the Anglo-Indian Government every man who owned uncoined silver in India was in possession of that which was to all intents and purposes legal tender, and if he owed 1,000 rupees, and had in his possession an amount of silver equivalent in weight to 1,000 rupees, he knew that whether the value of the legal standard rose or fell, he could at any moment pay his debts.

THE NATIVE NOW OWNS A DEPRECIATED COMMODITY.

The man who now owns uncoined silver is no longer in that position; he does not own "legal tender" any more; he owns a depreciated commodity; and what relation his assets will now bear to his liabilities is a matter of specula-

tion — a matter dependent in part upon the action of his own Government — in part, perhaps, upon the action of a Government divided from him in interest, divided from him in race, living 5,000 miles away; for he may find himself, through the play of the political machine at Washington, deprived of the power of paying his debts in Calcutta. Well, my Lord Mayor and gentlemen, what is the upshot of this long and, I fear, dreary argument that I have addressed to you?

THE MECHANISM OF EXCHANGE UPSET.

We have hitherto been accustomed to boast of our isolation in matters of currency, and we now find ourselves trembling with apprehension at the course that may be pursued by this or that Government over whom we have no control. Hitherto we have boasted of our independence, and we find, to our dismay, that it may perhaps rest with the uncommercial policy of some military Power on the Continent to upset the whole system of our finance in this country. We have claimed, and we have surely rightly claimed, that we were the great commercial community of the world, trading with all countries, covering the seas with our fleets, taking toll of all nations, having commercial intercourse with all nations, and we now find, I fear partly through our own fault, that the world is divided into gold-using countries and into silver-using countries, that the whole mechanism of exchange between the gold and silver using countries is upset, and that with that mechanism of exchange every merchant who deals either with South America, or with India, or with Mexico, or with China, is hampered and embarrassed in all his transactions.

THE PRESENT SYSTEM OPPOSED TO FREE TRADE.

We have hitherto boasted ourselves as the upholders of the doctrine of free trade, and we now find ourselves, through a system of currency, in which I fear that we do

more than simply acquiesce, the unconscious, but nevertheless the responsible, authors of a system of bounties which only differs from other systems of bounties established by less-enlightened nations, in the fact that the bounties are given to those who are not of us, but to those who compete with us.

EVILS OF A SCRAMBLE FOR GOLD.

We have boasted, that we lead the van of commerce, because we are the great upholders of the single gold standard; and yet there is not a man, I venture to say, in the City of London at this moment, not a single man, who would not look with horror and with apprehension at every other nation following so good an example. Was inconsistency ever shown in more ludicrous colors? It is right apparently, it is orthodox, to have a single gold standard; but let Austria have a gold standard, let India try and get a gold standard, let the other countries go in for a gold standard, and a tremor seizes every one of our commercial magnates; they look forward to the possibility of an immediate catastrophe, while they dread in the future that slow appreciation of the standard of value, which is probably the most deadening and benumbing influence that can touch the springs of enterprise in a nation. Such conclusions, if they be well founded, and I, at all events, have most honestly attempted to arrive at the truth — may well "give us pause"; and I venture, if I may, earnestly to appeal to that portion of my audience whose minds are not yet made up upon this question to reflect whether, of all subjects which deserve international treatment, that of the currency does not stand in the very first rank?

OIL THE WHEELS OF COMMERCE.

I would ask them to consider whether we can really afford to expel from general circulation the whole of the vast masses of silver which now do duty in oiling the wheels of commerce.

I would ask them whether they can contemplate, I will not say with equanimity, but without absolute terror, the substitution of a gold standard throughout the world for the silver standard which now covers so large a portion of it; and I would ask them, after they have answered these questions, as I am sure they will be driven to answer them after impartial consideration, whether they do not think that the great, the preponderating, I would almost say the overwhelming influence of public opinion in the City of London ought not to be thrown into the scale of those who desire to see some international settlement of this vast problem, and the establishment — I will not say of universal bimetallism, for that I believe to be unnecessary — but, at all events, of some effective international system under which every great commercial community shall contribute its share to maintaining the stability and the value of silver.

From Rep. Demmon
Nov. 1876

Blaine Against Free Coinage at 16-1.

SPEECH

OF

HON. JAMES G. BLAINE,

OF MAINE.

In the Senate of the United States,
February 7th, 1878.

"At current rates of silver, the free coinage of a dollar containing 412 1-2 grains, worth in gold about 92 cents, gives an illegitimate profit to the owner of the bullion, enabling him to take 92 cents worth of it to the mint and get it stamped as coin and force his neighbor to take it for a full dollar. This is an undue, an unfair advantage which the Government has no right to give the owners of silver bullion, and which defrauds the man who is forced to take the dollar."

WASHINGTON.
1896.

Blaine Against Free Coinage at 16-1.

SPEECH
OF
HON. JAMES G. BLAINE,
OF MAINE,

In the Senate of the United States, February 7th, 1878.

MR. PRESIDENT: The discussion of the question of remonetizing silver has been prolonged and exhaustive. I may not expect to add much to its value, but I promise not to add much to its length. I shall endeavor to consider facts rather than theories, to state conclusions rather than arguments.

I believe gold and silver coin to be the money of the Constitution,—indeed the money of the American people anterior to the Constitution, which that great organic law recognized as independent of its own existence. No power was conferred on Congress to declare that either metal should not be money. Congress has, therefore, in my judgment, no power to demonetize silver any more than to demonetize gold; no more power to demonetize either than to demonetize both. In this statement I am but repeating the weighty dictum of the first of constitutional lawyers. "I am certainly of the opinion," said Mr. Webster, "that gold and silver, at rates fixed by Congress, constitute the legal standard of value in this country, and that neither Congress nor the State has authority to establish or to displace this standard." Few persons can be found, I apprehend, who will maintain that Congress possesses the power to demonetize both gold and silver, or that Congress would be justified in prohibiting the coinage of both, and yet in logic and legal construction it would be difficult, to show where and why the power of Congress over silver is greater than over gold,—greater over either than over both. If, therefore, silver has been demonetized, I am in favor of remonetizing it. If its coinage has been prohibited, I am in favor of ordering it to be resumed. If it has been restricted, I am in favor of ordering it to be enlarged.

INTERNATIONAL DEMONETIZATION, THE LEADING CAUSE FOR DECLINE IN PRICE OF SILVER.

What power, then, has Congress over gold and silver? It has the exclusive power to coin them; the exclusive power to regulate their value—very great, very wise, very necessary powers, for the discreet exercise of which a critical occasion has now arisen. However men may differ about causes and processes, all will admit that within a few years a great disturbance has taken place in the relative values of gold and silver, and that silver is worth less, or gold is worth more, in the money market of the world in 1878 than in 1873, when the further coinage of silver dollars was prohibited in this country. **To remonetize it now, as though the facts and circumstances of that day were surrounding us, is to willfully and blindly deceive ourselves. If our demonetization were the only cause for the decline in the value of silver, then remonetization would be its proper and effectual cure. But other causes, quite beyond our control, have been far more potentially operative than the simple fact that Congress prohibited its further coinage. As legislators, we are bound to take cognizance of these causes. The demonetization of silver in the great German Empire and the consequent partial or well-nigh complete, suspension of coinage in the governments of the Latin Union, have been the leading dominant causes for the rapid decline in the value of silver.** I do not think the oversupply of silver has had, in comparison with these other causes, an appreciable influence in the decline of its value, because its oversupply, with respect to gold in these latter years, has not been so great as was the oversupply of gold for many years after the mines of California and Australia were opened; and the oversupply of gold from these rich sources did not affect the relative positions and uses of the two metals in any European country.

RESTORATION OF SILVER IMPOSSIBLE WITHOUT THE CO-OPERATION OF EUROPE.

I believe, then, if Germany were to remonetize silver and the Kingdoms and States of the Latin Union were to reopen their mints, silver would at

once resume its former relation with gold. The European countries, when driven to full remonetization, as I believe they will be, must of necessity adopt their old ratio of fifteen and a half of silver to 1 of gold, and we shall then be compelled to adopt the same instead of our former ratio of 16 to 1. If we fail to do this we shall, as before, lose our silver, which, like all things else, seeks the highest market; and if fifteen and a half pounds of silver will buy as much gold in Europe as sixteen pounds will buy in America, the silver, of course, will go to Europe.

OUR SILVER DOLLAR MUST BE WORTH ONE HUNDRED CENTS IN GOLD.

But our line of policy in a joint movement with other nations to remonetize, is simple and direct. The difficult problem is what we shall do when we aim to re-establish silver without the co-operation of European powers and really as an advance movement to coerce those powers into the same policy. Evidently the first dictate of prudence is to coin such a dollar as will not only do justice among our citizens at home, but will prove a protection—an absolute barricade—against the gold monometallists of Europe, who when the opportunity offers will quickly draw from us the one hundred and sixty millions of gold coin which we now hold.

FREE COINAGE AT 16 TO 1 WOULD FORCE US TO A SINGLE SILVER STANDARD.

If we coin a silver dollar of full legal tender, obviously below the current of value of the gold dollar, we are opening wide our doors and inviting Europe to take our gold. With our gold flowing out from us, we shall be forced to the single silver standard and our relations with the leading commercial countries of the world will be not only embarrassed but crippled.

AT CURRENT RATES, FREE COINAGE WOULD BENEFIT THE BULLION OWNER AND DEFRAUD ALL OTHERS.

The question before Congress, then—sharply defined in the pending House Bill—is, **whether it is now safe and expedient to offer free coinage to the silver dollar of 412½ grains, with the mints of the Latin Union closed and Germany not permitting silver to be coined as money. At current rates of silver, the free coinage of the dollar containing 412½ grains, worth in gold about ninety-two cents, gives an illegitimate profit to the owner of the bullion, enabling him to take ninety-two cents worth of it to the mint and get it stamped as coin and force his neighbor to take it for a full dollar. This is an undue, an unfair advantage which the Government has no right to give to the owner of the silver bullion, and which defrauds the man who is forced to take the dollar.**

FREE COINAGE WILL CAUSE OUR GOLD TO LEAVE US.

It assuredly follows that if we give free coinage to this dollar of inferior value, and put it in circulation, we do so at the expense of our better coinage in gold, and unless we expect the uniform and invariable experience of other nations to be in some mysterious way suspended for our peculiar benefit, we will inevitably lose our gold coin. It will flow out from us with the certainty and with the force of the tides. Gold has indeed remained with us in considerable amount during the circulation of the inferior currency of the legal tender, but that was because there were two great uses reserved by law for gold—the collection of customs, and the payments of interest on the public debt. But if the inferior silver coin is also to be used for these two reserved purposes, then gold has no tie to bind it to us. **What gain, therefore, should we make, for the circulating medium, if, on opening the gate for silver to flow in, we open a still wider gate for gold to flow out? If I were to venture upon a dictum upon the silver question, I should declare that until Europe remonetizes silver we cannot**

afford to coin a dollar as low as 412½ grains. After Europe remonetizes on the old standard we cannot afford to coin a dollar above four hundred grains. If we coin too low a dollar before general remonetization our gold will leave us. If we coin too high a dollar before general remonetization, our silver will leave us. It is only an equated value before and after general remonetization that will preserve both gold and silver to us.

THE PURCHASING POWER OF REDEEMABLE PAPER MONEY DIMINISHED BY FREE COINAGE.

Consider further what injustice would be done to every holder of a legal tender or national bank note. That vast volume of paper money—in excess of seven hundred millions of dollars—is now worth between ninety-eight and ninety-nine cents on the dollar in gold coin. The holders of it, who are indeed our entire population, from the poorest to the richest, have been promised from the hour of its issue that their paper money will one day be as good as gold. To pay silver for the greenback is a full compliance with this promise and this obligation, provided the silver is made, as it always has been hitherto, as good as gold. To make our silver coin even three per cent. less valuable than gold inflicts at once a loss of more than twenty millions of dollars on the holders of our paper money. To make a silver dollar worth but ninety-two cents precipitates, on the same class, a loss of nearly sixty millions of dollars. For whatever the value of the silver dollar is, the whole paper issue of the country will sink to its standard when its coinage is authorized and its circulation becomes general in the channels of trade. Some one in conversation with Commodore Vanderbilt, during one of the many freight competitions between the trunk lines, said, "It cannot be that the Canadian railroad has sufficient carrying capacity to compete with your great line?" "That is true," replied the Commodore, "but they can fix a rate and force us down to it." Were Congress to pass a law to-day declaring that every legal tender note and every national bank note shall hereafter pass for only ninety-six or ninety-seven cents on the dollar, there is not a constituency in the United

States that would re-elect a man who supported it, and in many districts the man would be lucky if he escaped merely with a defeat at the polls.

OPINIONS OF FINANCIAL SCIENTISTS WORTHLESS IN THE FACE OF CONTROLLING FACTS.

Yet it is almost mathematically demonstrable that the same effect will follow from the coinage of an inferior silver dollar. Assurances from empirics and scientists in finance that remonetization of the former dollar will at once and permanently advance its value to par with gold are worth little in the face of opposing and controlling facts. The first and instant effect of issuing any silver dollar that will pay customs dues and interest on the public debt, will undoubtedly be to raise it to a practical equality with gold; but that condition will last only until the amount needful for customs shall fill the channels of its use; and the overflow going into general circulation will rapidly settle to its normal and actual value, and then the discount will come on the volume of the paper currency, which will sink *pari passu* with the silver dollar in which it is made redeemable.

NATIONAL REMONETIZATION INADEQUATE TO RESTORE THE VALUE OF SILVER.

That remonetization will have a considerable effect in advancing the value of the silver dollar is very probable, but not enough to overcome the difference now existing—a difference resulting from causes independent of our control on this continent.

REMONETIZATION BELOW A FAIR STANDARD OF VALUE SHOULD NOT BE ATTEMPTED.

The responsibility for re-establishing silver in its ancient and honorable place as money in Europe and in America, devolves really upon the Congress of the United States. If we act here with wisdom and firmness, we shall not only successfully remonetize silver and bring it into general use as money in our own country, but the influence of our example will be potential among European nations, with the possible exception of England. Indeed, our annual indebtment to Europe is so great that, if we have the right to

pay in silver, we necessarily coerce those nations by the strongest of all forces, self-interest, to aid us in upholding the value of silver as money.

But if we attempt the remonetization on a basis which is obviously and notoriously below the fair standard of value as it now exists, we incur all the evil consequences of failure at home, and the certainty of successful opposition abroad. We are, and shall be, the greatest producers of silver in the world, and we have a larger stake in its complete monetization than any other country. The difference to the United States between the general acceptance and the general destruction of silver as money in the commercial world will, possibly, within the next half century, equal the entire bonded debt of the nation. **But to gain this advantage, we must make it actual money, the accepted equal of gold in the markets of the world.** Remonetization here, followed by general remonetization in Europe, will secure to the United States the most stable basis for its currency that we have ever enjoyed, and will effectually aid in solving all the problems by which our financial situation is surrounded.

On the much vexed and long mooted question of a bi-metallic or mono-metallic standard, my own views are sufficiently indicated in the remarks I have made. I believe the struggle now going on in this country, and in other countries, for a single gold standard, would, if successful, produce disaster in the end throughout the commercial world. The destruction of silver as money, and the establishment of gold as a sole unit of value, must have a ruinous effect on all forms of property except those investments which yield a fixed return in money. These would be enormously enhanced in value, and would gain a disproportionate, and therefore unfair, advantage over every other species of property.

If, as the most reliable statistics affirm, there are nearly seven thousand millions of coin or bullion in the world, not very unevenly divided between gold and silver, it is impossible to strike silver out of existence as money without results which will prove distressing to millions, and utterly disastrous to tens of thousands. Alexander Hamilton, in his able and invaluable report in 1791 on the establishment of a mint, declared that "to annul the use of either gold or silver as money is to abridge the quantity of circulating medium, and is liable to all the objections which arise from a comparison of the benefits of a full circulation with the evils of a scanty circulation." I take no risk in saying that the benefits of a full circulation, and the evils of a scanty circulation, are both immeasurably greater to-day than they were when Mr. Hamilton

uttered these weighty words, **Always provided that the circulation is one of actual money, and not of depreciated promises to pay.**

HAMILTON'S ARGUMENT IN FAVOR OF A DOUBLE STANDARD.

In the report from which I have already quoted Mr. Hamilton argues at length in favor of a double standard, and all the subsequent experience of ninety years has brought out no clearer statement of the case, or developed a more complete comprehension of this subtle and difficult subject. "On the whole," says Mr. Hamilton, "it seems most advisable not to attach the unit exclusively to either of the metals, because this cannot be done effectually without destroying the office and character of one of them as money, and reducing it to the situation of mere merchandise." Mr. Hamilton wisely concludes that this reduction of either of the metals to mere merchandise (I again quote his exact words) "would probably be a greater evil than occasional variations in the unit from the fluctuations of the relative value of the metals, especially if care be taken to regulate the proportion between them, with an eye to their average commercial value." I do not think that this country, holding so vast a portion of the world's supply of silver in its mountains and its mints, can afford to reduce the metal to the "situation of mere merchandise." If silver ceases to be used as money in Europe and America, the mines of the Pacific slope will be closed and dead. Mining enterprises of the gigantic scale existing in this country cannot be carried on to provide backs for mirrors and to manufacture cream pitchers and sugar bowls. A source of incalculable wealth to this entire country is destroyed the moment silver is permanently disused as money. It is for us to check that tendency and bring the continent of Europe back to the full recognition of the value of the metal as a medium of exchange.

WHATEVER AFFECTS THE PUBLIC CREDITOR AFFECTS THE WHOLE PEOPLE.

The question of beginning anew the coinage of silver dollars has aroused much discussion as to its effect on the public credit. The Senator from Ohio, Mr. Matthews, placed this phase of the subject in the very forefront of the debate—insisting, prematurely and illogically I think, on a sort of judicial construction in advance,

by concurrent resolution, of a certain law in case that law should happen to be passed by Congress. My own view of this question can be stated very briefly. I believe the public creditor can afford to be paid in any silver dollar that the United States can afford to coin and circulate. We have forty thousand millions of property in this country, and a wise self-interest will not permit us to overturn its relations by seeking for an inferior dollar wherewith to settle the honest demand of any creditor. The question might be different from a merely selfish point of view if, on paying the dollar to the public creditor, it would disappear after performing that function. But the trouble is that the inferior dollar you pay the public creditor remains in circulation to the exclusion of the better dollar. That which you pay at home will stay here; that which you send abroad will come back.

THE MOST DISTRESSING EFFECT OF INFERIOR MONEY ALWAYS FALLS UPON THE POOR.

The interest of the public creditor is indissolubly bound up with the interest of the whole people. Whatever affects him affects us all; and the evil that we might inflict upon him by paying an inferior dollar would recoil upon us with a vengeance as manifold as the aggregate wealth of the republic transcends the comparatively small limits of our bonded debt. Remember that our aggregate wealth is always increasing, and that our bonded debt is steadily growing less. If paid in a good silver dollar the bondholder has nothing to complain of. If paid in an inferior silver dollar he has the same grievance that will be uttered still more plaintively by the holder of the National Bank bill, by the pensioner, by the day laborer, and by the countless host of the poor, whom we have with us always, and on whom the most distressing effect of inferior money will be ultimately precipitated.

THE PURPOSE AND EFFECT OF SILVER DEMONETIZATION BY GERMANY.

But I say, Mr. President, that the specific demand for the payment of our bonds in gold coin, and in nothing else, comes with an ill grace from certain quarters. European criticism is leveled against us, and hard names are hurled at us across the ocean for simply daring to state that the letter of our law declares the bonds to be payable in standard coin of July 14th, 1870; explicitly declared so, and declared so in the interest of the public creditor, and the declaration inserted in the very body of the eight hundred millions of bonds that have been issued since that date. Beyond all doubt, the silver dollar was included in the standard coins of that public act. Payment at that time would have been as acceptable and as undisputed in silver as in gold dollars, for both were equally valuable in the European as well as in the American market. Seven-eighths of all our bonds owned out of the country are owned in Germany and in Holland. Germany has demonetized silver, and Holland has been forced thereby to suspend its coinage, since the subjects of both powers purchase our securities. The German Empire, the very year after we made our specific declaration, for paying bonds in coin, passed a law destroying, so far as lay in its power, the value of silver as money. I do not say that it was especially aimed at this country, but it was passed regardless of its effect upon us, and was followed, according to public and undenied statement, by a very large investment on the part of the German Government in our bonds, with a view, it was understood, of holding them as a coin reserve for drawing gold from us to aid in establishing their new gold standard at home. Thus by one move, the German Government destroyed, so far as lay in its power, the then existing value of silver as money, enhanced consequently the value of gold, and then got into a position to draw gold from us at the moment of their need, which would also be the moment of our own sorest distress. I do not say that the German Government, in these successive steps, did a single thing which it had not a perfect right to do, but I do say that the subjects of that Empire have no reason to complain of our Government for the initial step which has impaired the value of one of our standard coins. The German Government, by joining with us in the remonetization of silver, can place that standard coin in its old position, and make it as easy for this Government to pay, and as profitable for their subjects to receive, the one metal as the other.

OUR LABORERS MUST BE INSURED A FULL DOLLAR'S PAY FOR A DOLLAR'S WORTH OF WORK.

When we pledged the public creditor in 1870 that our obligations should be paid in the standard coin of that date, silver bullion was worth in the London market a fraction over sixty cents per ounce; its average for the past eight months has been about fifty-four pence; a price reckoned in gold in both cases. But the large difference is due in part to the rise in gold as well as to the fall of silver. **Allowing for both causes and dividing the difference, it will be found, in the judgment of many of the wisest men of this country, perfectly safe to issue a dollar of four hundred and twenty-five grains standard silver; as one that, anticipating the full and legitimate influence of remonetization, will equal itself with the gold dollar, and effectually guard against the drain of our gold during the time necessary for international conference in regard to the general re-establishment of silver as money.** When that general re-establishment shall be effected with a coinage of fewer grains, the dollar which I am now advocating will not cause loss or embarrassment to any one. The miner of the ore, the owner of the bullion, the holder of the coin, and the Government that issues it, will, all in turn, be benefited. It will yield a profit on re-coinage and will be advantageously employed in our commercial relations with foreign countries. **Meanwhile it will insure to our laborers at home a full dollar's pay for a dollar's worth of work. I think we owe this to the American laborer.**

THE TRADE DOLLAR FOR BARBARIANS, BETTER THAN THE STANDARD DOLLAR FOR AMERICANS.

Ever since we demonetized the old dollar we have been running our mints at full speed, coining a new silver dollar for the use of the Chinese Coolie and the Indian Pariah—a dollar containing 420 grains of standard silver, with its superiority over our ancient dollar ostentatiously engraved on its reverse side. To these "outside barbarians" we send this superior dollar, bearing all our national emblems, our patriotic devices, our pious inscrip-

tions, our goddess of liberty, our defiant eagle, our federal unity, our trust in God. This dollar contained seven and a half grains more silver than the famous "Dollar of our Fathers" proposed to be recoined by the pending bill, and more than four times as many of these new dollars have already been coined as ever were coined of all other silver dollars in the United States.

AN INFERIOR DOLLAR SHOULD NOT BE BY LAW FORCED UPON THE AMERICAN LABORER.

In the exceptional and abnormal condition of the silver market now existing throughout the world, we have felt compelled to increase the weight of the dollar with which to carry on the trade with the heathen nations of Asia. Shall we do less for the American laborer at home? Nay, shall we not do a little better for those of our own blood, and our own fireside? If you remonetize the dollar of the Fathers your mints will at once be put at work on two different dollars—different in weight, different in value, different in prestige, different in their reputation and currency throughout the commercial world. It will read strangely in history that the weightier and more valuable of these dollars is made for an ignorant class of heathen laborers in China and India, and that the lighter and less valuable is made for the intelligent and educated laboring man who is a citizen of the United States. Charity, says the adage, begins at home. Charity the independent American laborer scorns to ask, but he has the right to demand that justice shall begin at home. In his name and in the name of common sense and common honesty, I ask that the American Congress will not force upon the American laborer an inferior dollar which the naked and famishing laborers of India and China refuse to accept.

The bill which I now offer as a substitute for the House Bill contains three very simple propositions:

First:—That the dollar shall contain 425 grains of standard silver, shall have unlimited coinage, and be an unlimited legal tender.

Second:—**That all the profit of coinage shall go to the Government, and not to the operator in silver bullion.**

Third:—That silver dollars or silver bullion, assayed and mint-stamped, may be deposited with the assistant Treasurer at New York, for which coin certificates may be issued, the same in denomination as United States notes, not below ten dollars, and these shall be redeemable on demand in coin or bullion. We shall thus secure a paper circulation based on an actual deposit of precious metal, giving us notes as valuable as those of the Bank of England, and doing away at once with the dreaded inconvenience of silver on account of bulk and weight.

WE NEED BOTH GOLD AND SILVER, AND WE CAN HAVE BOTH ONLY BY MAKING EACH THE EQUAL OF THE OTHER.

I do not fail, Mr. President, to recognize that the committals and avowals of Senators on this question preclude the hope of my substitute being adopted. Indeed I do not fail to recognize that on this question I am not in line with either extreme—with those who believe in the single gold standard, or those who, **prematurely and unwisely, as I must regard it, would force us to a single silver standard. Either will be found, in my judgment, a great misfortune to our country. We need both gold and silver, and we can have both only by making each the equal of the other.** It would not be difficult to show that, in the nations where both have been fully recognized and most widely diffused, the steadiest and most continuous prosperity has been enjoyed—that true form of prosperity which reaches all classes, but which begins with the day laborers, whose toil lays the foundation of the whole superstructure of wealth. The exclusively gold nation, like England, may show the most massive fortunes in the ruling classes, but it shows also the most helpless and hopeless poverty in the humbler walks of life. The gold and silver nation, like France, can exhibit no such individual fortunes as abound in England, but it has a peasantry whose silver savings can pay a war indemnity that would have beggared the gold bankers of London, and to which the peasantry of England could not have contributed a pound sterling in gold or even a shilling in silver.

AN INFERIOR SILVER DOLLAR OR CHEAP PAPER MONEY WOULD BE DISASTROUS TO THE INTERESTS OF ALL.

The effect of paying the laborer in this country in silver coin of full value, as compared with irredeemable paper—or as compared, even, with a silver dollar of inferior value—will make itself felt in a single generation to the extent of tens of millions—perhaps hundreds of millions—in the aggregate savings which represent consolidated capital. It is the instinct of man, from the savage to the scholar—developed in childhood and remaining with age—to value the metals which in all lands are counted "precious." Excessive paper money leads to extravagance, to waste, to want, as we painfully witness to-day. With abounding proof of its demoralizing and destructive effect, we hear it proclaimed in the halls of Congress, that "the people demand cheap money." I deny it. I declare such a phrase to be a total misapprehension—a total misinterpretation of the popular wish. The people do not demand cheap money. They demand an abundance of good money, which is an entirely different thing. They do not want a single gold standard that will exclude silver and benefit those already rich. They do not want an inferior silver standard that will drive out gold and not help those already poor. They want both metals in full value, in equal honor, in whatever abundance the bountiful earth will yield them to the searching eye of science and to the hard hand of labor.

The two metals have existed side by side in harmonious, honorable companionship as money ever since intelligent trade was known among men. It is well-nigh forty centuries since "Abraham weighed to Ephron the silver which he had gained in the audience of the sons of Herth, 400 shekels of silver, current money with the merchant." Since that time nations have risen and fallen, races have disappeared, dialects and languages have been forgotten, arts have been lost, treasures have perished, continents have been discovered, islands have been sunk in the sea, and through all these ages and through all these changes silver and gold have reigned supreme as the representative of value, as the media of exchange. The dethronement of each has been attempted in turn, and sometimes the dethronement of both; but always in vain. And we are here to-day deliberating anew over the problem which comes down to us from Abraham's time; the weight of the silver that shall be "current money with the merchant."

As Mr. Blaine resumed his seat there was protracted applause in the galleries.

From Bro. Arnold
Nov. 96

Finance's Primer

H. S.

FINANCE'S PRIMER.

What is property?

Whatever possesses value is property.

What is money?

Money is an instrument of property, or otherwise stated a child of property.

What gives power to money?

Property and its transferment, which we term business.

Then must it aggregate in value according to business transactions?

Yes; whatever be its volume the aggregated value of active money cannot be greater or less than the aggregated business requirements make it.

Regardless of its volume?

Yes; if its volume be greater its unit will have less value than were the volume smaller, in exact inverse ratio.

What is meant by active money?

Real money that is not hoarded, and whatsoever paper, etc., that for the time being is accepted as money.

What is real money?

Real or primary money is money of intrinsic value.

How can money be intrinsic if its value is denominated by the aggregated requirements of business?

By the law of supply and demand; it is the great demand for gold as money that is the chief factor in giving to gold its value.

Is not gold a perfect money?

No; the production of gold is erratic, being subject to all the vicissitudes common to the mining of precious metals. Its production beside being irregular and uncertain bears no relation to the varying requirements of business.

Again, the aggregate volume of gold is so small that it is easily transportable and invites "corners" and manipulations by trusts. But there is still another very serious objection to its being the sole standard money, which is that the present aggregated debts of the world were contracted with money upon a broader basis where the per cent of aggregated debt to that of aggregated value of property was much smaller than at present, and the percentage of debt will still greatly increase if gold is to be the only recognized standard.

While gold is now the standard of the great commercial nations, there is more than one-half of the population of the earth now under a silver standard; and the world is divided between two standards of value that are constantly changing relatively.

Such a condition of affairs cannot continue indefinitely.

But business is now so largely transacted by checks, drafts, etc., is primary money so much required?

Promissory paper is all right, so long as it has the confidence of the public; but at a time of great financial crisis nothing will stand but money of intrinsic value or such paper that is immediately and surely convertible into intrinsic money, just as a bridge is no stronger than its weakest point, so money is no better than what it will stand by the severest test of a crisis.

But would anything but gold be an honest dollar?

A truly honest dollar would be a dollar that would always have the same power of purchase of staple articles of property. For this gold alone is impossible for reasons previously stated. Nor is it possible for man to make a perfect or "honest dollar" in the sense of a dollar's worth. But it is a necessity that a money should be made that would fluctuate in power the least that it is possible to attain.

Commerce is now world wide, hence money must also be, at least, on a like basis the world over. The ideal would be a universal money. The world is a market for producers. That consumers should thrive is an absolute necessity to the producers.

But has not the extraction of silver become so great that it can no longer be considered a precious metal?

The world's extraction of silver for the year 1893 was approximately 161,162,000 ounces, which would be equivalent to 15,387 cubic feet, or a solid cube of a little less than 25 feet. The production may increase upon this considerably but for a limited number of years only. The best of mines

become exhausted eventually and it cannot be expected that new ones can always be found.

How would it be feasible to place silver as a money that would not fluctuate with gold.

It would be a matter of instantaneous adjustment if the nations were to unite and make a treaty enacting that sixteen ounces of silver should be equal in value to one ounce of gold for all money transactions, and that no discriminations be allowed under any circumstances, and each nation to receive at its Mints all gold or silver that might be presented, paying for the same either in coin, weight for weight, less the Mint charges, or in coin certificates redeemable at sight in coin.

But would not that overtax the Mints, to say nothing of the great labor of counting it, which at times might be necessary?

No more bullion should be put into circulating coin than is needed for actual circulation. All bullion not made into circulating coin should be put into bars of uniform weight and of standard fineness, the size to be a specific number of such units as might be mutually agreed upon: if dollars, the silver bars should be one thousand dollars and the gold bars sixteen thousand dollars in value.

All bars to be duly stamped, numbered and registered.

The coin certificates issued against these universally standard bars should be receivable as exchange by all nations party to the treaty.

There should be a permanent commission and clearing house; said commission to have authority to ascertain and

keep fully informed of all deposits and of coin certificates. All other paper currency should be gradually retired.

But would it not be necessary for all Nations to be party to this plan in order that it be a success?

No; it would be desirable of course, for then there could be no serious financial excitement. The United States alone could make a success of it, but it would precipitate a serious crisis, of short duration, however.

Would not all gold disappear from the country? and would not the United States receive nothing but silver and be compelled to pay always in gold?

The result would be that Europeans as well as the rest of the world would purchase their goods from the United States until such a time as the parity between gold and silver came to a point that there would be no advantage in buying with silver.

Why does it not work that way with Nations now having a silver standard?

The Nations now having a silver standard are not manufacturing nations, but will fast become so with silver at its present value; especially is this true of Japan now so fast awakening.

We have an object lesson in our own immediate neighbor on the South. Mexico has a large indebtedness upon which she must pay interest in gold and she imports largely for which she also pays in gold. Notwithstanding such burdens, Mexico to-day is not sharing in the business depression we are having in the United States.

But are not the Nations now having a silver standard inclined to turn to a gold standard?

It is not practicable for such Nations to turn to a gold standard with silver at its present discount, even if it were desirable, for labor would not accommodate itself to the change, but would demand the same wage, even though money should have a double value.

Debts would be practically double and all local expenses and costs for manufactures would be twice what they are now, while the market price of such goods as are regulated by foreign prices would remain the same in gold, which is one-half what they now receive in silver.

There could be no result but ruin.

If the world was to continue for fifty years to produce annually an amount of silver equal to its entire production of 1893, and every ounce of this entire output for fifty years was to be stored in one vault, it could be contained, if in rectangular bars and allowing one-third for unoccupied space, in a vault twenty-five feet deep by one hundred wide and four hundred and sixty-eight feet long.

Average United States Export Prices as Measured by Gold.

YEAR.	SILVER.	COTTON.	WHEAT.
1873	1.29	18.2	125
1874	1.27	15.0	135
1875	1.24	15.0	110
1876	1.15	12.9	120
1877	1.20	11.8	117
1878	1.15	11.1	130
1879	1.12	9.9	107
1880	1.14	11.5	125
1881	1.13	11.4	111
1882	1.13	11.4	119
1883	1.11	10.8	113
1884	1.01	10.5	107
1885	1.08	10.6	86
1886	.99	9.9	87
1887	.97	9.5	89
1888	.93	9.8	85
1889	.93	9.9	90
1890	1.04	10.1	83
1891	.90	10.0	85
1892	.86	8.7	80
1893	.72	7.0	63

From Dr. S. A. Green
Dec. 13. 1897

THE GOLD STANDARD

THE REVENUES AND THE NAVY

Geo. Sewall

Mr. Boutwell's Speech

BEFORE

The Middlesex Club

OCTOBER 30, 1897

AYER, MASS.
HUNTLEY S. TURNER, BOOK PRINTER
1897

Mr. President and Gentlemen:

Before I enter upon the discussion of the main topics that I have in mind, I venture to submit a suggestion upon the report of the Commission charged with the revision of the laws on taxation. I may assume that there are gentlemen at this board who will have seats in the Legislature of 1898.

As yet the report of the Commission has not been printed and distributed. The members of the Legislature will be elected without reference to the recommendations of the report. Of its contents the general public is ignorant, and of its wisdom a public judgment has not been formed.

Of our local non-political questions there can be none more important than the questions which will arise in connection with the proposal to change the system that now exists, whatever its imperfections, and of imperfections there are enough to justify the attempt to improve it. As to methods there may be serious differences of opinion. Under these circumstances may it not be wise, after such investigations as the Legislature of 1898 may carry on, to postpone final action to the year 1899?

Upon propositions which may contain material for the array of class against class, there should be time for the crystalization of a public opinion on which legislative action may rest securely.

When a man is involved in a controversy, it may be wise to say something of himself. For three and twenty years the Act of 1873, by which silver was demonetized and gold became the standard of values, was assailed vehe-

mently, and the charge was made in the Senate and repeated in books and in speeches, that that act was passed corruptly, that it was passed fraudently, that it was passed secretly. As I originated the measure and as the proof of its origin was to be found in my reports to Congress for the years 1870–71 and 72, and as the authorship was avowed and claimed by me, the charges were against me, although my name was not often, perhaps it was never, mentioned.

Guided by a rule that I had observed in all my public life, I neglected to notice the attacks until the autumn of 1896, when it seemed to be proper on public grounds for me to set forth the exact facts in regard to the passage of the act of 1873. This I undertook to do in an address before the Twentieth Century Club of Boston. Copies of that address were sent to the Senators who had denounced the Act of 1873, to Mr. Bryan and to other leaders of the free-silver movement.

Since that time the attack has not been renewed in the Senate, and the Democratic party of the State of Ohio were only able to say in their convention of 1897, that the measure was passed without the knowledge and approval of the American people.

The contest for free silver is over, and I come now to claim a merit for the Act of 1873, and in the exact particular that was characterized as "the crime of 1873."

The bill that I submitted to Congress in April 1870, and which demonetized silver, was two years and ten months on its passage. It was printed six times, the debate was reported in 196 columns of the Congressional Globe and it passed the Senate without a dissenting vote. In truth there was no one opposed actively to the bill, and Mr. Hooper, then a member of Congress from this city, was the only person in place who was earnestly in favor of its passage.

In 1870 I was not ignorant of the facts that for three

centuries the efforts to maintain a double standard had been failures: that Mr. Hamilton and Mr. Jefferson, after much investigation, had formulated a double standard for the United States and that their scheme had also failed.

I do not claim that in 1870–73 I looked to the degradation of silver and to its rejection as a coin the world over. My thoughts were directed to the importance of establishing a single standard. It never occurred to me that silver was a competitor for supremacy. Nor did I consider the relative future product of the two metals under the influence of the inventions and improvements that had then been made.

For the Act of 1873, by which silver was demonetized, I claim a result which has been of signal advantage to the country.

The report of the silver commission of 1876 shows that at that time the demonetization of silver would have been an impossibility.

In 1874 the bullion value of the silver dollar fell to 98.8, and from that time there has never been a day when the gold standard could have been established in the United States. With the report of the Silver Commission in 1876, the warfare against the gold standard was inaugurated, and from that day to this its enemies have had control of one or both of the Houses of Congress. The country is indebted to the Act of 1873 for the establishment of the gold standard.

During the four and twenty years that have passed, the silver product of the United States has exceeded the capacity of our mints, but in that time the total addition to the silver coinage of the country would not have been less than one thousand million dollars. In the particular mentioned, the Act of 1873 was the most important financial measure since the war, and without exaggeration it may challenge a comparison with the war measures of 1862 to 1865. in its beneficial results to the country, and in no small measure to the whole commercial world.

I may not let this occasion go by without indulging myself in one or two observations of a political, partizan character. I shall refer briefly to Mr. Williams as he is the chief, the leader and the nominee of the Democratic party of the State.

On more than one occasion he has charged the judiciary of the Commonwealth with the exercise of despotic power, usurped for purposes of injustice.

I am of those who believe that there is a sacredness about the judiciary, in so far at least, as that it should be saved from indiscriminate, wholesale attacks unsupported by any specifications of wrong doing.

If the sin of judicial usurpation has been committed, it has been committed by some judge, or by several, or by many judges. Let Mr. Williams name a judge who is thus guilty. Name the case, the cause, the suffering party. Does not Mr. Williams know that there is no such case, no such cause, no suffering party, no such criminal judge?

At a late day Mr. Williams names a judge and cites a case. The case disproves the allegation. Mr. O'Sullivan was convicted by a jury of the offence of having published a criminal libel. The penalty was fixed by statute, —imprisonment for a term not exceeding three years. Judge Bishop fixed the term for O'Sullivan at eighteen months. The judge exercised his discretion. Mr. Williams says that it was "an unrighteous exercise of discretion." On the one side we have a judge of experience, of known probity, a judge familiar with the facts, and acting under the obligations of an oath, and on the other side is Mr. Williams, an ardent politician, struggling to escape from the consequences of a grave and unfounded charge against the judiciary of the Commonwealth.

Does not Mr. Williams, as a lawyer, know that there is no middle ground on which the social fabric can rest, between the law in the hands of the judiciary, and the will of

the soldier who may make the law and execute it at the same moment?

But, says Mr. Williams, the courts have set up a "government by injunction," and at Hazleton in Pennsylvania, a sheriff's posse shot twenty men. The courts of Pennsylvania are investigating the distressful affair, with the help of those who have knowledge of the transaction, and the conclusion that will be thus reached may be as worthy of confidence as are the opinions of Mr. Williams and Mr. Debs.

Does not Mr. Williams know that not in Massachusetts has any man been restrained from doing anything which he had a right to do?

Government by injunction is a restraining power and not an aggressive force.

If, to-morrow, Mr. Williams should learn that the trustee of the inheritance of his wife was about to invest her fortune in an expedition to the Klondike, would he not run with the alacrity of a new political convert to the nearest one of the judges whom he has arraigned before the people, and with a humble petition pray for an injunction restraining the trustee?

But what would be the indignation of Mr. Williams if the judge should say, "I am against government by injunction. You have another remedy. Commence a suit at law. In six or twelve months, upon the verdict of a jury, you will get a judgment and an execution, and you can then follow your trustee to the icy slopes of the valley of the Yukon River." Would the alternative remedy suit Mr. Williams?

But, says Mr. Williams, that is not our case. Men were restrained who were in the streets and not molesting anyone. Nor is that their case. The assembly in Lynn was composed of men, or it contained men who were endeavoring by advice to dissuade others from engaging

in the service of a man who had refused to agree to the terms that were demanded.

A more personal illustration may be in order. Mr. Williams is engaged in the profession of the law,—sometimes. If two or ten men stand in front of Mr. Williams's office, and hour by hour and day by day continue to advise the passers-by not to employ Mr. Williams as an attorney, shall he have no remedy? And if Mr. Williams may have a remedy, shall not the shoe manufacturer of Lynn have a remedy when a crowd of a hundred or more stand and march in front of his shops terrifying some and persuading others, so that his ability to pursue his business is impaired. Liberty to pursue a lawful business is the property alike of the employer and of the employed, and any intentional interference in its enjoyment is a personal wrong and a public grievance.

A word with Mr. Debs and I pass to another topic. At the meeting of Monday evening, in Faneuil Hall, he said that there were from four to five million men in the United States who are unemployed.

Massachusetts can claim a thirtieth part of the population of the United States. Upon the basis of four million men unemployed, our share would exceed one hundred and twenty-five thousand. For this statement there can be no foundation. In Massachusetts the workers who are disposed to work are employed very generally.

It would be an extraordinary statement, not now susceptible of proof, to say that there are ten or even five thousand men in Massachusetts who are willing to work and who are unable to obtain employment at reasonable compensation. It is not probable that there is a county in the United States that can show an enforced idle population corresponding to Mr. Debs's statement.

Of state politics I say nothing beyond the expression of the hope that Governor Wolcott's majority may be larger than the largest majority ever given to any candidate by the Republican party of Massachusetts.

I turn now to a topic of general interest. We are all Republicans, all Protectionists, and, of course, we are alike hopeful and confident of the success of Major McKinley's administration. We are not to be disturbed by the suggestion of possible difficulties in its way.

The tariff act of 1897 has not been tested, but the revenues from all sources cannot much exceed the necessary expenses.

Our claim in regard to the effects of a system of protection are being verified. Many articles which were imported largely in former times are now made in the United States, and the revenues from those articles are diminishing proportionately. I may mention steel and iron and the products of steel and iron, tin plate, printing cloths and many other cotton fabrics.

The introduction and prosperity of the tin plate industry, under the McKinley tariff, is a striking instance of the power of the protective system, and of its inevitable tendency to reduce the customs—revenues, as our producers and manufacturers seize the control of branches of industry, which, theretofore were the exclusive possessions of others. Thus, in proportion to population, there must be a continuing decrease of revenue derivable from customs, on all articles that are produced or manufactured in the United States in competition with the products and manufactures of other countries.

Upon this view of the effect of the protective system, the time is not distant when new sources of revenue must

be found, or the expenditures of the government must be reduced, materially.

Or, it is possible, I may say probable, that new sources of revenue must be found, even though the most rigid system of econemies should be introduced. The expenses on the civil side cannot be reduced; indeed, the salaries paid to the public officers are inadequate, with a small number of exceptions, of which the salary of the President and the salaries of the Justices of the Supreme Court are the chief.

Very considerable appropriations must be made for public buildings and for river and harbor improvements, and the economies of one year are likely to be compensated for by extraordinary appropriations in the years following.

This brief financial review is the preface to the important question of the hour, namely: Is it wise for the country to continue the annual expenditure of thirty million dollars for the increase and maintenance of the Navy? In other words is the country prepared to enter upon a policy, or, perhaps, I may say, is the country justified in continuing a policy, which contemplates a naval armament equal to the naval armament of Great Britain?

It is a noticeable fact that in these fifteen years, while the increase of the Navy has been going on, there has been a corresponding growth of the war spirit among the people.

The justification of a large navy must be found in its use. A useless navy will soon fall into disrepute. A naval armament equal to the naval armament of Great Britain will invite a contest for supremacy. We need a naval force, that we may take our part in the police of the seas, but not a naval force of battle ships.

We may construct coast defences, which will prove unnecessary, probably, but their cost is relatively insignificant. A battle ship, with five hundred or a thousand

men on board, is an expensive luxury even for a great nation; too expensive for show purposes at Newport, Bar Harbor and the ports of the Mediterranean Sea.

A question is put, and put in a form to indicate that the answer must be decisive of a public policy. "What if we are involved in a war and have no navy?" I answer by another question, What if we are involved in a war and have a navy? What is the difference? Shall we construct a navy that will protect our Pacific coast from Sitka to San Diego? Our Atlantic coast from Galveston to Eastport? If our coasts are to be protected must they not be protected by fortifications, torpedoes and non-seagoing vessels? In either case, navy or no navy, would not our ocean commerce be destroyed? Of what value, under such circumstances, would be a contest upon the open sea?

Are our fortunes and our condition on the land to be controlled by the result of a naval engagement upon the open seas?

The pertinent and the complete answer to every suggestion of war is this: The United States cannot be involved in a foreign war except by its own misdoings.

Since the close of the Civil War we have had evidence again and again that it is the settled purpose of the rulers of nations to maintain peace with the United States.

In these later years we have had two periods of apprehension. One due to Mr. Cleveland's unwise war message in regard to Venezuela, a matter in which we had no proper concern.

Now that the excitement is ended and the war spirit is allayed, it may be in order to say that the treaty concedes to England what Lord Salisbury claimed in his despatch to Mr. Olney of November 26, 1895.

The second apprehension has arisen from the contest in Cuba, as it has affected the relations of Spain to the United States.

The answer to one question fixes the responsibility for our disturbed relations with Spain. If citizens of the United States and persons within the United States had not given aid and comfort to the insurgents, openly some and covertly others, with men, money and munitions of war, would our relations with Spain have been disturbed, even in the least?

And if the outcome shall be war, on which party will the responsibility rest? I give to the administration of Mr. Cleveland and to the administration of President McKinley credit for proper orders in regard to illicit trade between the ports of the United States and the insurgents in Cuba. That there has been vigilance or even fidelity in the executive of the orders is made doubtful by the events of the last three years.

The communication which the new ministry in Spain has made to our government, is suggestive of war in case Cuba shall be lost to Spain.

The tender of our good offices is declined. No assurance is given as to the time when the war will be brought to an end. Then we are advised that its continuance to the present time is due to the aid that has been given to the insurgents by persons in the United States, or who have have been permitted to operate from our coasts and ports. Finally, the Ministry say that it is in the power of our government to suppress all the movements from our shores designed to aid the insurgents. Thus the responsibility for the continuance of the war is put upon the United States. Upon this statement of facts, which cannot be disturbed materially, the Liberal Ministry at Madrid has made our government responsible for the fate of Cuba.

That responsibility ought not to be accepted. I assume that it will not be accepted. If, as is claimed, a naval force is necessary for the preservation of the peace of the world, we ought now to have an illustration of the truth of the claim.

From Pres. Angell
May 7, 9

Sound Money League of Pennsylvania

DOCUMENT NO. 10.

The Money Unit of 1792

—BY—

HON. MARRIOTT BROSIUS.

THE SOUND MONEY LEAGUE OF PENNSYLVANIA,
THE BOURSE BUILDING,
PHILADELPHIA.

Sound Money League of Pennsylvania

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THE BOURSE BUILDING,
PHILADELPHIA.

The Money Unit of 1792.

Whether the money unit contemplated by the Coinage Act of 1792 was based on both metals or on one only, may not be of great practical importance to-day, yet as a link in the chain of our monetary history, and as a subject of historical research commanding no inconsiderable attention at this time, it has value enough to warrant a desire to be right in our conclusions concerning it. In the interest of historic truth, therefore, and for no other purpose, I desire to bring into distinct review the acts and the arguments of the fathers of that day who had most to do with the establishment of our monetary system relating to the vexed question of our money unit. The data which such a review will supply may be useful in guarding against error, and in aiding those who are pursuing the inquiry to arrive at conclusions upon which an honest mind can rest with satisfaction.

WHAT IS A "MONEY UNIT?"

It may be desirable at the outset to try to have an intelligent notion of the meaning of the expression "money unit," about which much may be said without making it clear; and, indeed, when we come to define it, the less we say the less we are likely to obscure it. Some of the difficulty would no doubt vanish if we avoided confounding the abstract and the concrete contents of the expression. A numerical unit is a pure abstraction. It is expressed by a figure. We manipulate figures without respect to commodities of any kind. We can say three times three are nine without considering the concrete denotement of the numbers. It may be one or more of anything you choose, as one dollar or one apple.

A numerical unit is not a creature of the law, but of the mind. A single thing is one by nature and not by legal enactment. So we cannot reach the legal contents of the expression "money unit" from the merely numerical side.

When we advance a step toward the reality and add to the numerical abstraction, the word "dollar," we have a concrete unit. Every unit of measure or weight or value must be a concrete unit; a unit expressed by a determinate amount or quantity or weight of the thing to be measured or weighed or estimated, to be be taken as a standard of comparison for other determinate amounts, quantities, or weight of like kind, and without which no kind of exchange but primitive barter could take place.

A money unit then contains this group of ideas, namely:—

First.—A numerical abstraction—a symbol for purposes of notation.

Second.—A determinate weight of precious metal or metals, as the case may be, which is fixed by law.

Third.—The denomination "dollar," also a creature of the law, which expresses the value of the predetermined weight of precious metal which constitutes the unit.

The value inheres in the metal, and not in the form of it. A certain number of grains of gold or silver in the form of a cube are just as effectually a unit of value as if in the form of a disc, for value resides in substance and not in form.

The struck coin is a thing apart. It is not the "money unit," but a thing of convenience in exchange, a certificate of weight and fineness. If it coincides with the unit in value that is an incident which gives it no character different from other coins excepting in denomination. The unit, as a mere symbol, is only the money of the mind. The struck coin is the piece for payment, and contains the value which its name expresses. The former is in view when a contract of sale is made, the latter only comes into requisition when it is executed. One is for the arithmetic of exchange, to afford

terms in which values can be expressed, the other is to effect exchanges of commodities whose value has been reduced to expression in the terms of the unit.

We have thus arrived at our definition of "money unit," namely, a given number of grains of precious metal possessing a determinate value, named "dollar" or "unit," by comparison with which the denominations of money are regulated, and in the terms of which, or the fractions, or multiples thereof, general values are expressed.

THE FIELD OF DISCUSSION.

The field over which the discussion of the fathers ranged embraces several distinct inquiries:—

First.—"What should be the unit of value?"

Second.—"Whether it should be based on one metal or both?"

Third.—"Whether it should be represented by a coin of corresponding value?"

Fourth.—"What coins should be struck to express values in the uses to which money was to be put?"

Each of these questions had distinct consideration and decision. The difficulties encountered by the Colonies and the Confederation, on account of the confused state of their money, were distinctly before the minds of the fathers when, under the Federal regime, they took up the subject of our money for deliberate and determinate treatment. Foreign coins of gold and silver were current in the country; their value varied in different States, and to know the meaning of "a pound" or "a shilling" you had to know what State you were in.

The Spanish silver dollar had, it is said, at least five different values in as many sections of the country. McMaster tells us it was not unusual for a traveler to pay bills with silver dollars in Boston at six shillings the dollar; the next

week in New York at eight shillings; some days later in Philadelphia at seven shillings and six pence, and still later at thirty-two shillings and six pence at Charleston. Gold it seems was not subject to so much variation. The value of the gold pieces expressed in dollars was pretty much the same the country over, and 24¾ grains of gold corresponded very nearly with the nominal value of the Spanish silver dollar in all the States.

Another cause of confusion was the clipping of the coin, which had been carried to such an extent that Washington suggested that before long every man would have to travel with a pair of balances in his pocket, or run the risk of being cheated. In such a state of monetary chaos it is little wonder that the people began to look to Congress for succor, and that committees were appointed to consider and report upon suitable means of unifying the money of the country.

ROBERT MORRIS ON THE UNIT.

Confronted by the necessity thus presented of a suitable monetary system for the new government, and instructed by the experience of the past, the fathers came to the consideration of the subject. The report of Robert Morris to Congress on a Coinage Scheme made on January 15, 1782, was the first contribution of great value to the disscusion of that day. That report, though it bore the name of Robert, is believed to have been wrought out chiefly by Gouverneur Morris. By way of preliminary he observed the happiness we derived from unity in our system of weights and measures throughout America, and noted the advantages we enjoyed from having throughout the Union the same ideas of a mile and an inch, a hogshead and a quart, a pound and an ounce. But with respect to our money he lamented that the case was widely different, and that the ideas annexed to a pound, shilling and penny were as various as the States themselves, rendering calculation a prerequisite to every commercial exchange. He then takes up the chief inquiry which concerns

us in this paper, namely, "Whether the money unit should be affixed to both metals or to one only?" After comparing the merits of the metals, and the arguments for and against each, he says: "There can be no doubt, therefore, that our money standard ought to be affixed to silver." The argument that led up to this conclusion was that the scale by which everything is to be measured ought to be fixed as the nature of things will permit of. And as a money standard affixed to both metals would not afford a fixed and certain scale, because if affixed to both it would in reality be affixed to neither, "for" he says, "the demand which commerce might make for either of the precious metals in preference to the other would vary this real standard from time to time, and in every payment a man would get more or less of real value for his debt, according as he was paid in the coin of greater or less value in relation to the real standard."

Mr. Morris next considers what the "money unit" should be. He says: "The purposes of commerce require that the lowest divisible point of money, or what is more properly called the 'money unit,' should be very small, but there is no necessity that the unit be exactly represented in coin; it is sufficient that its value be precisely known." This makes it quite clear that in his mind there was a distinction between the "money unit" and the sensible object which was to represent it.

Advancing his argument on this line, Mr. Morris says: "The money unit will be equal to a quarter of a grain of fine silver in coined money; proceeding then in a decimal ratio, 100 would be the lowest silver coin, and might be called a cent, while the dollar, which contains about 373 grains of fine silver at the mint price, would be 1,440 units." He does not propose the coinage of any piece of that name, but all current coins are to be rated to silver at a mint price, established at 22,237 units per pound. The great merit he claimed for his unit was that all the currencies of the States were reducible to it without a remainder.

MORRIS' CONCLUSIONS.

The points distinctly made by Mr. Morris and to be carried with us in the further progress of the discussion are: 1st. That a money unit affixed to both metals could not be stable and certain. 2d. That the money unit should be attached to silver alone. 3d. That no coin need be struck to correspond with the money unit.

THOMAS JEFFERSON'S VIEWS.

The next important contribution to the discussion is "Thomas Jefferson's Notes on the Establishment of a Money Unit and of a Coinage for the United States." These Notes, it appears, were communicated to Congress simultaneously with Mr. Morris' report in 1782. Mr. Jefferson objected to Mr. Morris' money unit because it was too small, holding that the 1,440th part of a dollar as a unit would be inconvenient in commerce. He says: "It is inconvenient in its application to ordinary money transactions. The price of a loaf of bread, $\frac{1}{20}$ of a dollar, would be 72 units. A pound of butter, $\frac{1}{6}$ of a dollar, would be 288 units. Ten thousand dollars would require eight figures, to wit, 14,400,000. A horse or bullock of $80 value would require a notation of six figures, to wit, 115,200 units." Nowhere in his Notes does Mr. Jefferson make any objection to the plan of Mr. Morris on the ground of there being no coined piece to correspond with the unit of value. He assented also to the suggestion that it was not essential that a coin be struck to correspond with the money unit. The decimal ratio, he thought, was ingenious and admirable.

In considering the unit of money, he says: "Three circumstances are of principal importance:—

"*First.*—That it be of a convenient size to be applied as a measure to the common money transactions of life.

"*Second.*—That its parts and multiples be an easy proportion to each other so as to facilitate the money arithmetic.

"*Third.*—That the 'unit' and its parts or divisions be so nearly of the value of some of the known coins as that they may be of easy adoption for the people."

It will be seen that in this enumeration of the important requisites of a "money unit" no mention is made of the metal in which the "unit" is to be represented. Gold would answer all the requirements equally with silver. He, however, goes on to say, "The Spanish dollar seems to fulfill all these conditions." His reasoning in support of this observation may be summarized as follows:—

1. As a common measure it is of convenient size.

2. The value of any amount up to $10,000 is easily estimated by the mind, so also that of the tenth or hundreth of a dollar; and few transactions are above or below these limits.

3. It coincides in value with some of the known coins so nearly that the people can quickly estimate their value.

4. The dollar is a known coin and the most familiar of all to the mind of the people.

It will be observed that none of these reasons turn upon the metal out of which the unit is to be coined, and no preference is indicated on the ground of any intrinsic or even sentimental superiority of silver over gold. There is no suggestion that silver was the money of the poor and gold the money of the rich; no suggestion of a conflict of interest between Wall street and the rural districts; between the banker and the farmer; no thought expressed of favoring one metal by attaching the unit to it, or that men "desiring to injure business by making money scarce could not so easily get hold of all the silver and hide it away as they could gold." The era of the demagogue had not yet come in.

JEFFERSON'S RECOMMENDATIONS.

In concluding his Notes Mr. Jefferson submits the following recommendations: "That the money unit of these States

shall be equal in value to a Spanish milled dollar; that it shall be divided into tenths and hundredths; that there shall be a coin of silver of the value of the unit, another of the same metal of the value of one-tenth of a unit, one other of copper of the value of one-hundredth of a unit; that there shall be a coin of gold of the value of ten units." In a supplementary paper he says: "My proposition, then, is that our notation of money shall be decimal; that the unit of this notation shall be a dollar; that coin shall be accommodated to it from ten dollars to the hundredth of a dollar."

JEFFERSON'S CONCLUSIONS.

Remembering, for the purpose of comparison, the conclusions of Mr. Morris, those of Mr. Jefferson may be summed up thus:—

First.—That the minuteness of Mr. Morris' money unit was not desirable, though the decimal ratio was admirable.

Second.—That the unit should be of the value of the Spanish milled dollar, and that a piece should be coined to correspond with it.

Third.—That the money unit should be based on both metals.

In view of the foregoing it seems difficult to conceive how any other conclusion is deducible from Jefferson's Notes than that he believed that the money unit should be based on both metals. But happily he did not leave the matter there. In his letter to Hamilton, of February, 1792, he says: "I will return you the report on the unit, which I have read over with a great deal of satisfaction. I concur with you in thinking that the unit must stand on both metals."

Morris found grave objections to Jefferson's recommendations. He thought they provided a money unsuitable to the wants of the people; that the dollar was more nearly related to the British money than to our own currency; emphasizing his objection by the suggestion that you might as well

select for American farmers a scythe used among the Alps instead of one suitable to our own fields.

VIEWS OF THE GRAND COMMITTEE.

The next contribution to the discussion in consecutive order was the report to Congress of what was called the "Grand Committee on the Money Unit," in 1785. In this report the divergent views were considered and the conclusions of Mr. Jefferson adopted. They recommend the "dollar" as the money unit on the distinct grounds that the people were familiar with the value of a "dollar;" that it had been in general use and would conform to the National mode of keeping accounts.

On July 6, 1785, Congress received the report of the Grand Committee, and on the resolution "That the money unit of the United States of America be one dollar," the yeas and nays were called and every member answered "yea."

BOARD OF TREASURY REPORT.

On the 8th of April, 1786, the Board of Treasury reported to Congress their conclusions on the expediency of a mint for the coinage of American money.

In their report they recommended a "silver dollar" as the money unit. In August, 1786, Congress adopted the following resolution:—

"*Resolved*, That the money unit of the United States, being by the resolve of Congress of the 6th of July, 1785, a dollar shall contain of fine silver $375\frac{64}{100}$ grains."

After providing for the coinage of the dollar as the highest silver coin, and the divisions thereof, halves, double dimes and half dimes, it provides, "That there shall be two gold coins, one containing $246\frac{268}{1000}$ grains of fine gold equal to ten dollars, and to be called an eagle. One containing $123\frac{134}{1000}$ grains of fine gold, equal to five dollars, and to be called a half eagle."

To this point had the evolution of our "money unit" arrived when Hamilton entered the debate with his celebrated report on the establishment of a mint. This was presented to Congress in April, 1791, and as the views therein expressed were subsequently embodied in the Coinage Act of 1792, he may be said to have given the subject its final form and finish, and his views to have received the honor of acceptance by the American people. Mr. Hamilton in this report covers the entire ground of the previous discussion, and treats the subject with a firmness of grasp and clearness of insight into the principles of monetary science only possible to his amplitude of understanding and intellectual penetration. The first inquiry to which he addresses himself is: "What ought to be the nature of the money unit of the United States?" By way of preliminary he alludes to the then existing "unit" in the money of account, which he maintained was the "pound sterling," though it could not be said to be the "unit in the coins." In the absence of legislation, usage and practice, he thought had given that character to the Spanish milled dollar. He, however, saw objections to the "dollar," because it had never had any settled or standard value according to weight or fineness, while gold on the other hand had a fixed price by weight and fineness. He says: "The greater stability of value of the gold coins is an argument of force for regarding the money unit as having been hitherto virtually attached to gold rather than to silver."

Then, again, he suggested that the variety of "dollars" then current, containing unequal amounts of fine silver, presented a difficulty in defining the particular "dollar" to which the "money unit" was to be applied, supposing it to be most applicable to that species of coin. Nor did he omit to point out the importance of applying the unit to a coin that would be conformable to the existing proportion between the two metals in this country, as

well as to that which obtains in the commercial world generally.

NO PREFERENCE FOR EITHER METAL.

He next applies his mind to the inquiry, whether or not the money unit ought to be peculiarly attached to either of the metals in preference to the other, and if to either, to which of them? The argument in this part of the report advances with so firm and sure a foot that I must at the risk of tediousness reproduce a portion of it in Mr. Hamilton's own words.

After indicating that the resolutions of Congress of 1785 and 1786, declaring the money unit to be a dollar, and providing for both gold and silver coins, were not clear in their meaning since they did not explain whether either of the two species of coins of gold or silver had any greater legality in payments than the other, and suggesting that a preference in the matter of payment was necessary to carry out the idea of attaching the unit exclusively to one metal, he says:—

"If each of them be as valid as the other in payments to any amount, it is not obvious in what effectual sense either of them can be deemed the money unit rather than the other. If the general declaration, that the dollar shall be the money unit of the United States, could be understood to give it a superior legality in payments, the institution of coins of gold, and the declaration that each of them shall be equal to a certain number of dollars, would appear to destroy that inference. And the circumstance of making the dollar the unit in the money of account seems to be rather a matter of form than of substance.

"Contrary to the ideas which have heretofore prevailed in the suggestions concerning a coinage for the United States, though not without much hesitation, arising from a deference for those ideas, the Secretary is, upon the whole, strongly inclined to the opinion that a preference ought to

be given to neither of the metals for the money unit. Perhaps, if either were to be preferred it ought to be gold rather than silver.

"But, upon the whole, it seems to be most advisable, as has been observed, not to attach the unit exclusively to either of the metals, because this cannot be done effectually without destroying the office and character of one of them as money, and reducing it to the situation of a mere merchandise, which, accordingly, at different times, has been proposed from different and very respectable quarters, but which would probably be a greater evil than occasional variations in the unit from the fluctuations in the relative value of the metals, especially if care be taken to regulate the proportion between them, with an eye to their average commercial value."

Later on in this report Mr. Hamilton recurs to the question of the "money unit," and concludes the discussion as follows:—

"The conclusion to be drawn from the observations which have been made on the subject, is this: That the unit, in the coins of the United States, ought to correspond with 24¾ grains of pure gold and with 371¼ grains of pure silver, each answering to a dollar in the money of account. The former is exactly agreeable to the present value of gold, and the latter is with a small fraction of the mean of the two last emissions of dollars, the only ones which are now found in common circulation and of which the newest is in the greatest abundance. The alloy in each case to be one-twelfth of the total weight, which will make the unit 27 grains of standard gold and 405 grains of standard silver.

"Each of these, it has been remarked, will answer to a dollar in the money of account. It is conceived that nothing better can be done in relation to this than to pursue the track marked out by the resolution of the 8th of August, 1786. This has been approved abroad as well as at home, and it is certain that nothing can be more simple or

convenient than the decimal subdivisions. There is every reason to expect that the method will speedily grow into general use when it shall be seconded by corresponding coins. On this plan the unit in the money of account will continue to be, as established by that resolution, a dollar and its multiples, dimes, cents and mills, or tenths, hundredths and thousandths."

HOW HAMILTON DETERMINED THE WEIGHT OF THE SILVER DOLLAR.

It is worth noting in this connection how Hamilton determined upon 371¼ grains of fine silver as the most suitable amount for the silver dollar. He found that the Spanish milled dollars of different dates varied in the amount of silver they contained; one containing 374 and another 368 grains, and that neither one sustained to 24¾ grains of fine gold the ratio of 15 to 1, which coincided with the difference in the coined metals as established by custom in our market and in our currency. Taking the mean of the two Spanish pieces, however, he found that the proportion conformed very nearly to the ratio of 15 to 1, so that he had only to multiply 23¾ by 15 to obtain 371¼ as the proper weight in grains for the silver dollar.

He then gives the following schedule of coins which he thinks would be advisable until experience demonstrates the necessity for others:—

"One gold piece, equal in weight and value to ten units or dollars.

"One gold piece, equal to a tenth part of the former, and which shall be a unit or dollar.

"One silver piece, which shall also be a unit or dollar.

"One silver piece, which shall be in weight and value, a tenth part of the silver unit or dollar.

"One copper piece, which shall be of the value of a hundredth part of a dollar.

"One other copper piece, which shall be half the value of the former."

He then says in conclusion: "It is not proposed that the lightest of the two gold coins should be numerous, as in large payments the larger the pieces the shorter the process of counting, the less risk of mistake, and consequently the greater the safety and the convenience; and in small payments it is not perceived that any inconvenience can accrue from an entire dependence on the silver and copper coins. The chief inducement to the establishment of the small gold piece is to have a sensible object in that metal, as well as in silver, to express the unit. The smallest of the two gold coins may be called the dollar or unit in common with the silver piece with which it coincides."

HAMILTON'S CONCLUSIONS.

Having in view the previous summing up of Morris' and Jefferson's views, the conclusions of Hamilton may now be placed for comparison beside those of his distinguished cotemporaries, as follows:—

1. That up to that time the money unit had practically been attached to both gold and silver.

2. That coin should be struck in both metals to correspond with the money unit.

3. That the money unit should be based on both metals.

THE COINAGE ACT OF 1792.

It is suitable at this point to bring into view the section of the Coinage Act of 1792, which relates to the money unit, that it may be seen whether on a fair construction it expresses the Hamiltonian and the Jeffersonian view or the contrary one.

The ninth section reads in part as follows: "That there shall be from time to time struck and coined at the said mint

coins of gold, silver and copper of the following denominations, values and descriptions, viz.: Eagles, each to be of the value of ten dollars or units, and to contain 247½ grains of pure or 270 grains of standard gold; half eagles, each to be of the value of five dollars, and to contain 123⅝ grains of pure or 135 grains of standard silver; quarter eagles, each to be of the value of two dollars and a half dollar, and to contain 61⅞ grains of pure and 67½ grains of standard gold. Dollars or units each to be of the value of a Spanish milled dollar, as the same is now current, and to contain 371¼ grains of pure or 416 grains of standard silver."

SOME REFLECTIONS.

Having before us the foregoing review of the facts of the situation, the reasonings of the fathers of 1792 and the enactment which embodies their conclusions, we are in a position each according to his own light and leading to subject to suitable tests the validity of the views which have been from time to time advanced on the subject.

It will be seen that the Act of 1792 is not as explicit in defining a "money unit" as the Act of 1873, nevertheless the meaning which the language carries is free from doubt. The Spanish milled dollar was at that time a current coin. Its value was known, and that value was to be the "money unit," by the terms of which all values in commerce were to be expressed and in correspondence with which coins were to be struck. Some find a stumbling block in the fact that a coin of silver was struck and no corresponding one of gold identical in value with the ideal unit and bearing its name. But that has no tendency to prove that the "unit" was based upon that metal in preference to gold. Indeed, the contrary may be conclusively presumed from the absence of an express declaration to that effect. It will be remembered that Robert Morris, as already stated, proposed no coin corresponding with his money unit, while Hamilton thought it better to have such a coin in both metals. In many countries

there are no coins struck corresponding with the unit of value. It is well known that in Great Britain the pound sterling is the unit of value, but no coin answering to that unit was ever struck. In France and the other countries of the Latin Union, the "money unit" is the franc, yet no such piece of full legal tender money was ever struck. Our existing money unit is indisputably a gold dollar, but we coin no answering piece of money. In Spain the unit of value is the silver peseta, equal to a franc, but it is not a full legal tender coin. In Germany, when the gold standard prevails the unit of value is the "mark," but no gold coin answering to it was ever struck.

So the most superficial knowledge of the subject makes it obvious that the denomination of coins struck at the mint affords little aid in construing the Act of 1792 as to whether the money unit was based on one or both metals, for it has no more logical connection with the unit than another question mooted at the time, namely, whether the coins should contain representations of English barbarities or selections from the proverbs of Solomon and the wisdom of Franklin?

HAMILTON'S REASONING.

No one can follow the reasoning of Mr. Hamilton without being sensible of its clearness and convincing power. It may easily be that were he arguing the question now he would put less stress upon the equality of legal tender power in the two metals as evidence of an intention to attach the money unit to both of them. But the argument carried great force and cogency in the then state of monetary knowledge and experience. It was doubtless taken for granted by Hamilton, for Adam Smith had declared it only fifteen years before, that in all countries only the measure of value money was legal tender. That Jefferson was in substantial unity with his reasoning, and his conclusions adds distinctly to the credit of both. No two voices in all the land were more potential than theirs, and when united, as

they were on the "double basis" of our money unit, it is hardly permissible to believe that their counsel was disregarded by Congress in legislating upon the subject.

CONCLUSION.

And therefore, at whatever conclusion others may arrive from an equally sincere consideration of the same data, I am of opinion that the reasoning of the fathers, the earliest consideration given the subject by Congress, the terms of the Coinage Act of 1792, their logical and grammatical construction, and the antecedent probability that the conclusions of Hamilton and Jefferson were intended to be embodied in the law, all unite to constitute an impregnable body of evidence in support of the view that the act was intended to attach the money unit to gold and silver alike. That 24¾ grains of fine gold and 371¼ grains of fine silver, coined or uncoined, each equal in value to the Spanish milled dollar constituted our money unit, to be known by the denomination of "dollar" or "unit" (the words being used interchangeably), in the terms of which all values were thereafter to be expressed; that the given weight of one metal and the given weight of the other, were alike the sensible objects answering the ideal unit; were equal in value, equal in legal tender power, and possessed an equally incontestable title to the honor of being the basis of our money unit under the bimetallic system which the genius of Hamilton, the philosophy of Jefferson and the wise statesmanship of their contemporaries established more than a hundred years ago.

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Irving Fisher

The Mechanics of Bimetallism

I

Much reasoning[1] has been based upon the assumption that the price-determination of two commodities used as money is analogous to that of any other two commodities. The easy phrase 'supply and demand' has too often been substituted for thoroughgoing analysis, and has hidden from view the need of that study and classification of 'peculiar cases of value' begun by Mill and Jevons.

It is clear at the outset that two forms of money differ from a random pair of commodities in being *substitutes*.[2] We cannot compare them to independent commodities as 'copper and wheat,' or 'beef and shoes,' but to another pair of substitutes, or quasi-substitutes, as iron and steel for many purposes, cotton and wool, oats and maize for horses, molasses and sorghum, cane and beetroot sugar, India and Dakota wheat.

Two substitutes proper are regarded by the consumer as a single commodity. This means not that the commodities have two identical laws of demand, but that they possess a single law jointly. Thus the price-determining conditions are reduced to one less than the usual number. The missing condition, however, is supplied by a *fixed ratio of substitution*. Thus, if ten pounds of cane sugar serve the same purpose as eleven pounds of beetroot sugar, their fixed ratio of substitution is ten to eleven, or if a bushel of India wheat replaces a bushel of Dakota wheat, the substitution ratio is unity.

In these cases the fixed ratio is grounded in the relative capacities of the two commodities to fill a common need, and is quite antecedent

[1] *E.g.* that of Locke as quoted by Giffen and others.

[2] Substitutes merely in the sense that the cheaper will be substituted for the dearer. This is Gresham's law, and a verified fact. It does not deny that the metals are differently preferred for different monetary uses. Thus, for pocket change, gold and silver are of complementary denominations, and even require copper or nickel to form a satisfactory system. In Italy, an insufficient supply of one-lire notes actually gives them a slight premium over paper of higher denominations. In the case of bank reserves and shipments, preference is guided merely by the slight differences of storage and transportation charges. Between Vienna and London the cost of transportation and insurance are 2¼ per mille for gold and 8¾ for silver, favouring gold by ¾ %. Between Vienna and Berlin the preference is ¼ %. Though bimetallism is an evil in so far as it overrides these preferences, its *operation* is unaffected so long as Gresham's law is unaffected.

to their prices. Ten pounds of cane sugar replace eleven pounds of beetroot sugar so long as human taste marks no other ratio. India and Dakota wheat have the same utility because they have the same relation to man's digestion. No change of market conditions, no legislative enactment, no change of price could make a consumer regard one bushel of India wheat as equivalent to two of Dakota. The substitution ratio is fixed by nature, and in turn fixes the price ratio.

In the single case of money, however, there is no fixed ratio of substitution. In one age ten ounces of silver may circulate as equivalent to one of gold, in another twenty ounces. We have here to deal, not with relative sweetening power, nor relative nourishing power, nor with any other capacity possessed by the metals independently of their prices. We have relative *purchasing* power. The user of money does not reckon a utility in the metal itself but in the commodities it will buy. He assigns definite utilities to the sugars or the wheats before he knows their prices, but he must first inquire the relative circulating value of gold and silver before he can know at what ratio he himself prizes them. To him the ratio of substitution is identically the price ratio, and therefore can have no influence[1] in fixing that ratio. *The case of two forms of money is unique. They are substitutes without a ratio of substitution.*

Since, therefore, the price-determining conditions are one too few, a fixed legal ratio is not superimposed upon a system of supply and demand already determinate, but simply restores the needful equality between the number of conditions and unknowns. It does not destroy but actually completes the analogy between the supply and demand of two forms of money and of other pairs of substitutes.

The ordinary analogy argument is therefore converted into a *reductio ad absurdum*. If we can reason from 'copper and wheat' as a universal type we can prove not only the impossibility of a fixed gold-silver ratio but also the impossibility of a fixed ratio for India wheat and

[1] A rigorous proof is best expressed analytically. Every two commodities (whether substitutes or not) are subject to the fundamental equation:

$$\frac{p}{P} = \frac{u}{U}$$

That is, the price ratio equals the ratio of marginal utilities. In the case of substitutes (except money) the ratio of marginal utilities is constant, so that:

$$\frac{p}{P} = \frac{u}{U} = S$$

The last part of this double equation, as has been said, replaces the missing law of demand, and preserves the equality between the number of conditions and unknowns. For money however we have nothing to put in place of the fixed magnitude S unless it be the price ratio. The double equation would read:

$$\frac{p}{P} = \frac{u}{U} = \frac{p}{P}$$

But, since the first and last members are identical, this ceases to be a double equation. The number of conditions is therefore reduced to one less than the number of unknowns.

Dakota wheat. Their values are 'already fixed by supply and demand'! If 'by accident' they remain for a time equal, a slight change in the 'cost of production' of either must upset this relation!

We see therefore the unsoundness, not of the monometallist's position, but of his favourite analogy.

II

The curves of Jevons, Walras, and Marshall have become familiar expressions to the eye of the general economic law that the marginal utility of a commodity decreases with its quantity. We may exhibit the same law more appropriately for our present purpose by regarding commodity as a *liquid*[1] instead of as a line.

In Fig. 1, G_a represents a reservoir of water, the quantity of which corresponds to the amount of gold-in-the-arts—that is, all gold not used as money. Varying quantities of gold-in-the-arts are figured as varying quantities of water in the reservoir. The changes in marginal utility caused by such variations can be made to correspond to changes in the water level; for we are at liberty to select any shape and size for our reservoir, and are thus enabled to make the elevation of level follow any required law. We represent marginal utility by the distance of the water level *below* the zero level 00. That is, we construct the reservoir of such a size and shape that, when its contents represent any supposed quantity of gold-in-the-arts, the distance of the water level below 00 will indicate its marginal utility.[2] An ounce of gold corresponds, say, to a cubic inch of water and a 'util'[3] of marginal utility to an inch of distance. We may conveniently regard the thickness of the reservoir as unity.

In the same manner we may construct another reservoir (Fig. 1, S_a) of somewhat different shape and size to represent the relation between the quantity of silver-in-the-arts and its marginal utility.

Finally, the middle reservoir contains the quantity of money,

[1] This method is employed by the writer in *Mathematical Investigations in the Theory of Value and Prices*, Trans. Conn. Acad., New Haven, 1892. The idea of the present application was suggested by Professor Edgeworth. After the article was prepared, I saw and read for the first time Professor Walras' *Théorie mathématique du Bimétallisme*, Lausanne, 1881, in which by very different methods he has covered nearly the same ground and expressed substantially the same conclusions as in that part of the present article relating to 'static' equilibrium. My attention was also drawn to Jevons' simile of two reservoirs in his *Money and the Mechanism of Exchange*.

[2] The water may be regarded as consisting of successive horizontal layers of equal volume (say a cubic inch). Then the distance of the lowest layer from 00 represents the utility of that layer, and the distance of each succeeding layer its utility, until we reach the marginal or top layer, the distance of which is the utility of the marginal unit or the marginal utility.

[3] Coined by the writer in the *Investigations* to summarize a series of definitions intended to fix the sense in which utility is a measurable magnitude. In the present case the 'utils' for different individuals must be so selected as to equate their marginal utilities of money.

gold or silver. The shape of this currency reservoir is, according to the well-known theory, such that the marginal utility varies inversely as the quantity of money. The relations here discussed, however, are independent of any such special law.

III

As a first supposition, let us consider gold to be the only money in the civilised world, and neglect the costs of transportation and the influence of the exchanges. We only need regard the gold-in-the-arts reservoir to be connected with the currency reservoir, as in Fig. 1. Then the water will flow from the higher to the lower level, picturing the economic theorem that gold will flow to the arts or currency according to where it is most valued. At equilibrium the levels must be uniform—that is, the marginal utilities of gold in the two uses must be equal.

We thus have a picture of what may be called static equilibrium as distinguished from dynamic. The level of a mountain lake, although determined on any one day by the quantity of water it contains, is ultimately dependent on the inflowing and outflowing streams. Our economic lakes are always being fed and drained by streams of gold and silver. Mines and gold fields pour in their products according to their costs of production. We cannot properly speak of 'the' cost of production. There are as many costs as mines. Some yield enormous [1] 'profits' (economic rent), others barely 'pay,' while some are worked at a loss owing to unsuccessful speculation.

We may figure the gold mines as pouring their products into the combined reservoirs G_a and G_m through the pipes at the left. The level of each pipe relative to the zero level 00 signifying the disutility or cost of production. The mines which 'pay' have pipes above the water level, their costs being less than the value of the product, and those which do not, below. If the level rises, more mines pass below the paying point, and eventually cease producing.[2]

But the tendency of this influx to fill the reservoirs is neutralized (1) by wear, loss by shipwreck, &c., of gold in use (figured as leakage), and (2) by the 'expansion of demands' [3] (figured as the expansion of the reservoirs).

[1] Thus it is stated that in Colorado some mines produce silver at a cost of less than a shilling an ounce.

[2] This closure of pipes would be mechanically effected by valves. The production of mines above the paying level may also be influenced. But in ordinary fissure mines only definite amounts of labour and capital can profitably be employed, and the output is nearly constant, except in case of exhaustion or new discoveries. This does not however affect the argument in the text, as the reasoning depends on the simple resultant fact that a rise or fall in the value of the metals tends to increase or decrease their production.

[3] Changes in the form or size of the reservoirs mark the net influence of those causes not explicitly considered—changes in population, volume and character of business transactions, credit, &c.

For gold in the currency loss and wear consume less than one per cent. per annum, while the present expansion of demand is somewhat greater. Two per cent. may perhaps cover the expansion of either arts reservoir.

If the level tends to remain stationary—that is, if it is such that the influx of metal is exactly equal to the combined efflux and

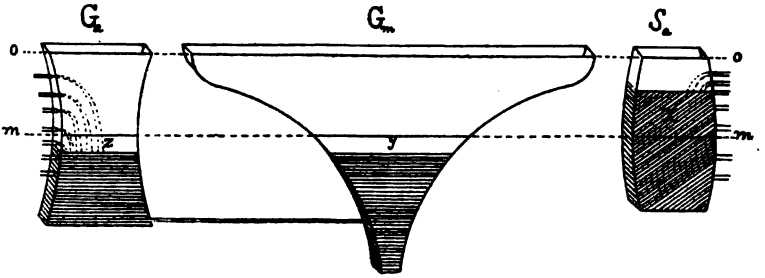

FIG. 1.

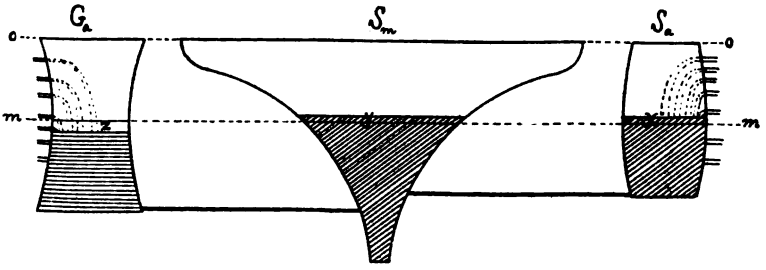

FIG. 2.

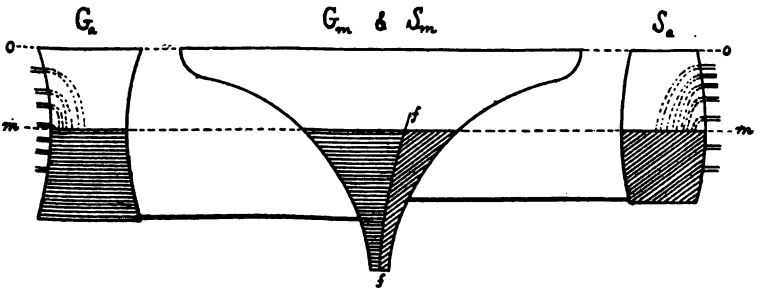

FIG. 3.

expansion of the reservoirs below the water line, we may name it the level of dynamic equilibrium. If, temporarily, the level is below the level of dynamic equilibrium, gold will flow in faster than out (production evidently being greater, and loss, wear, and expansion of demand less than at the higher dynamic level). Hence the level

will rise. Conversely, if temporarily above the dynamic level, it will fall.

The two levels of dynamic equilibrium of gold and silver are obviously independent. These dynamic levels are themselves always changing, owing to the exhaustion of mines, the discovery of new supplies (figured as changes in the number and size of the pipes), and to alterations in the laws of loss, wear, and expansion of demand.

IV

We now suppose bimetallism to be introduced. Governments open their mints to the free coinage of both metals at a fixed ratio, and give the debtor the option of tendering either coin unless otherwise bound by his contract.

This new condition is represented in Figs. 2 and 3, where both metals have access to the currency reservoir.[1] If the silver level was, previous to the bimetallic law, below[2] the gold level, the law will be inoperative. But if, as in Fig. 1, the silver level was higher, silver will now flow into the circulation and push gold out. This operation will continue as long as there is a premium on gold—that is, as long as the silver level is above the gold level. So far both monometallists and bimetallists agree. The operation is in fact Gresham's law extended. But its consequences have been differently deduced, and usually without due discrimination on either side.

Let *mm* be the mean level that is—a level such that the volume x (Fig. 1) *above* it equals the combined vacant volumes y and z *below* it. This line remains the mean level, whatever the distribution of the existing water among the three reservoirs. The redistribution consequent on the influx of silver tends to fill the vacancies y and z by the surplus x. This will be accomplished unless x (Fig. 1) exceeds the volume of the currency below *mm* (that is, the present currency plus y). In this case, the flood of silver will sweep gold out of circulation, as represented in Fig. 2.

But if x (Fig. 1) is less than the currency plus y, silver cannot completely push gold out. For, when silver has flowed in to the amount of the surplus x, the whole system of liquids has been brought to the mean level *mm*—that is, the premium on gold has disappeared (Fig. 3).[3]

But no sooner has such a new static equilibrium been approximated than the dynamic equilibrium is upset. For, as the silver level falls,

[1] Of course a unit of water represents gold and silver at their coining weights. If the bimetallic ratio is 15½ to 1, the cisterns are so constructed that a cubic inch of water represents an ounce of gold or 15½ ounces of silver.

[2] The difficulty of associating a 'higher' utility with a 'lower' level and *vice versâ* disappears by always reckoning *upward* from the liquid surfaces to the line 00. Thus, in Fig. 1, 00 is at a *higher* elevation above the gold surface than the silver.

[3] The water representing gold and silver is separated by a pliable film *ff*.

new sources of supply are left above the paying line and go into operation. Conversely, the production of gold is discouraged. Hence silver will still further push out gold. This is in fact the observation of those monometallists who, while admitting that the sudden demand on existing stocks of silver may raise its price, contend that new production will ultimately counteract this influence. The reasoning usually employed, however, ignores the fact that gold and silver are no longer confined in rigid walls, but each metal presents a *liquid* wall to the other. If we could arrest the movement of the film *ff*, dividing the currency into definite gold and silver proportions, and then allow the mechanical system to reach dynamic equilibrium with rigid walls, the silver level would rise, the gold level fall. Neither, however, would recede to its original position under monometallism. For, were silver to reach its original level, it would also reach its original rate of production, but its consumption would be greater, being the original consumption in the arts plus a consumption in the currency. Thus the influx would be insufficient to maintain this level. The reverse considerations prove that gold could not sink to its original monometallic level. But even this smaller difference of level would continue to push the film to the left. After it has moved slightly, let us again suppose it to be rigid. The previous reasoning applied to this second position proves that the levels of dynamic equilibrium would differ even less than before. That is, as the film moves leftward, the two levels of dynamic equilibrium which correspond to each position, steadily approach each other in spite of the fact that the liquid of the higher level is always receiving net additions and the liquid of the lower level is being diminished.

Complete equilibrium cannot be attained until either the approaching levels become identical, or gold is pushed out of circulation. The criterion for the two alternatives is easily found. Let us suppose the film to be forced to its limit, pushing gold completely out. In other words, we suppose silver monometallism. The former reasoning shows that, after the system has reached dynamic equilibrium, the gold level will be higher, the silver lower, than under gold monometallism. But the gold level may or may not be below the silver level. In the first case we know bimetallism could not have succeeded, and that the exclusion of gold, supposed for argument's sake, would have taken place in fact. But if the gold level were the higher, we know that the supposed exclusion would not have occurred, for it would necessitate a back flow into the currency. In this case the film rests, at dynamic equilibrium, between its limiting positions, as in Fig. 3.

The conditions therefore under which bimetallism can succeed are, that under silver monometallism gold would be cheaper than silver, as compared with the legal ratio, while under gold monometallism silver would be cheaper than gold.

In all our reasoning we have supposed a given legal ratio between

the two metals. Bimetallism, impossible at one ratio, is possible at another. A change of ratio is represented by a reconstruction of our reservoirs in new units, but we can, without such a transformation, exhibit the limiting ratios between which bimetallism is possible. Suppose the film in Fig. 3[1] to be forced, first to its extreme right limit, and secondly to its extreme left, and in each case dynamic equilibrium to be attained. In the one case there is a premium on gold, in the other on silver. These premiums mark the divergences from the given ratio which are possible without destroying bimetallism. Thus suppose the legal ratio is 1 to 24, and that when the film is moved to the right limit the level of silver will be $\frac{4}{5}$ as near 00 as the gold level, while at the left limit silver will be $\frac{8}{7}$ the distance of gold. Then the ratio 1 to 24 can be varied by the factors $\frac{4}{5}$ and $\frac{8}{7}$, and bimetallism would succeed at any ratio between 1 to 30 and 1 to 21. A ratio above the first limit would convert silver monometallism into gold monometallism, but would be inoperative in the reverse direction. A ratio below the last limit would possess the opposite qualities. The statistical determination of these limits is a problem of enormous difficulty. The breadths of the cisterns must be known, and the distribution of mines below as well as above the existing paying levels. It is easy however to show that the limits for a single nation are narrower than for a combination of nations, since the currency reservoir is, for one nation, smaller than for many, while the arts reservoirs are virtually larger by the amount of the monometallic currencies of the remaining nations.

V

A few additional observations may now be stated. The static and dynamic equilibriums which have been considered separately are in fact quite distinctly separated in time. The time of redistributing existing stocks of metal, according to a newly enacted law, depends on the rapidity of transportation, melting, and minting, and would be measured in months or weeks. Dynamic equilibrium, however, depends on the slow working of changes in the rates of production and consumption, and would be measured in years.

The dynamic equilibrium, if once established, is permanent so long as the conditions of production and consumption do not change. Slight alterations of these conditions, the exhaustion of mines, discovery of new leads, &c., will cause slight variations in the proportions of gold and silver money—that is, in the position of the film *ff*. The oscillations of this film (and *not* of the price ratio as in the case of most commodities) reflect these changing conditions.

But, in all probability, this film will sooner or later reach one of its

[1] The method given, however, applies even if we start from such a case as Fig. 2, where the given ratio has failed. Both premiums will be on gold, but, when applied to the given ratio, yield the two limiting ratios.

limits. The probable time for such an event is, however, very long. The gold currency of the world is about £700,000,000, and the annual production of silver £30,000,000. Supposing the system to be initially in dynamic equilibrium, consider the effect of an enormous increase in the silver production, say a third, or £10,000,000. Then seventy years would be required to push out gold without taking into account the fact that, as the pushing proceeds, the excess of production over consumption steadily declines. If this excess dwindles uniformly from £10,000,000 to zero, the period would be lengthened to 140 years. Add to these considerations the fact that, while the stimulus to the production of one metal acts quickly, the ensuing check to the production of the other acts more slowly, owing to the fixity of the 'sunk' capital, and that therefore the volume of the currency is greater at the end than at the beginning; also the fact that the currency reservoir is itself constantly expanding; and finally that fluctuations of production are likely to be in either direction and for either metal, we may be tolerably confident that, *if initially successful with the film near the middle position*, bimetallism would continue successful for many generations. The initial success depends, as has been seen, upon the ratio enacted.

It is to be observed that bimetallism can never avoid a slight premium. On the contrary, it is this difference of level which supplies the moving force for passing from one point of equilibrium to another.[1] Thus in France gold was at a small premium between 1820 and 1850, silver between 1851 and 1866, and gold again from 1867 to the abolition of free silver coinage in 1874.

This closure of the mints means the severing of the right connecting tube. The ensuing condition of the currency system would be as in Fig. 1, excepting that the currency reservoir now contains besides gold a large amount of overvalued silver.

If the gold level is below the currency level, we have a silver currency as represented in Fig. 2, if we omit the right connecting tube and allow the level of silver-in-the-arts to rise. In this case the value of the currency is fixed solely by its amount, for as long as the gold level is below the currency level the left tube also is inoperative, and might as well not exist. This pictures roughly the condition of Austria and India. When the consumption of silver and expansion of the currency reservoir reduces the level to that of gold, the legal gold price of the gulden or rupee operates to establish the gold standard.

[1] As long as the premium lasts the cheaper metal will doubtless circulate somewhat faster and the dearer somewhat more slowly than normally; but as this deviation of speed ceases at equilibrium it was not considered in IV. It may be represented by conceiving the thickness of the currency reservoir to decrease on one side of *ff* and increase on the other, making one metal 'go farther' (cover more area in the diagram) than normally, and hasten the motion of *ff* to the equilibrium point. The extreme form of sluggishness (increase of thickness) is 'hoarding,' of which the chief application is referred to below.

It has been proved that a bimetallic level always lies between the levels which the two metals would have assumed under gold monometallism, or under silver monometallism.[1] Therefore, in a series of years, the bimetallic level remains intermediate between the changing levels which the two metals would separately follow. This, however, is a relative equalization only. It is conceivable that one metal would be steadier alone than when joined to the other.

To trace the steadying effect on a single fluctuation, we observe that under bimetallism the three reservoirs act as one. Therefore, compared with monometallism, the fluctuations are diminished in the inverse ratio of the liquid surfaces, over which the fluctuations spread. Thus if the combined breadths[2] of the two left reservoirs at water level are two-thirds of the combined breadth of the three, an influx of gold which, if distributed only over the two reservoirs, would make a layer an inch in depth, would, over the three, have a depth of two-thirds of an inch. Likewise the right reservoir being one-third the aggregate width, an inch fluctuation of silver, when merely merchandise, would be reduced to one-third of an inch.

Since this steadying power of bimetallism depends on the breadths of the reservoirs, and not on the position of the film *ff*, it remains in full force, no matter what be the proportions of gold and silver money, and is as great when only one nation is bimetallic as when the whole world adopts the system. It ceases abruptly when bimetallism ceases.

It must not be overlooked that the effect of bimetallism, if silver is the cheaper metal, must be a depreciation[3] of the currency, though not to the extent of the original difference of value. A system whose claim to recognition is based on considerations of justice has no excuse when beginning with such a glaring injustice.[4] Honest men must regard with horror the proposal to reintroduce a ratio of 15½ to 1. But we must not make the error of associating 'debasement' and 'bimetallism' indiscriminately. Bimetallism can be just, if at a ratio equal to the existing ratio, as recommended by the Royal Commission, or above it, as suggested by Mr. Leonard

[1] But not between the levels of the currency under the two monometallisms.

[2] These breadths, which here play the important *rôle*, are the rate of increase of commodity relative to decrease of marginal utility. The law of inverse breadth applies with exactness only to static, or short-time, readjustments. Its most important application is to fluctuations in *credit*.

[3] For, as shown in IV., the metals reach a common level by mutual approach, the currency level rising. This reasoning, however, applies only to equilibrium, after the currency has resumed its normal form. The effect during the first months of bimetallism *at a ratio below the market* would doubtless be contraction of credit (expansion of the currency reservoir) and hoarding of gold (*supra*), causing stringency (lowering of the currency level). This is what recently occurred in America from the mere fear of a fall in silver money.

[4] It is not unlikely that the public would to a large extent emancipate itself from such a law by special contracts. Instance the agreement of the New York and Boston banks not to use silver certificates in clearing-house transactions.

Courtney. It then acts as a sort of insurance against further appreciation of gold.

The ratio under such circumstances might never come into operation. But if the Suess view of the future production of gold and silver is correct, the law would presently take effect, and become a vehicle for carrying us over from gold to silver monometallism. This contingency forms a serious, the writer thinks fatal, objection to bimetallism as a final settlement of monetary problems.

It is however beyond the scope of this theoretical article to discuss the practical expediency of bimetallism. Such a discussion involves not only a statistical study, but also an examination of the alternatives proposed—besides ordinary monometallism, the link-bar system of Professor Marshall, the elastic currency of Professor Walras, the Lowe and Scrope plans, as recommended by Professor Marshall, to base long-time contracts on the reports of a commission charged with measuring the appreciation or depreciation of gold, &c., &c., as well as the fundamental consideration of Professor Ross and others as to what is, after all, the theoretically just standard of deferred payments.

Hitherto these discussions have been checked by the want of a common standing-ground of theory. Most of the energy of debate has been wasted in irrelevant statistics, mutual misunderstanding and misrepresentation. One group of economists has scouted bimetallism as ridiculous, another has entirely overlooked its limitations. There has been lacking a complete mechanical picture of the interplay of value-determining forces. Those partial, unrelated, and seemingly contradictory glimpses afforded through the fogs of unaided language not only fail to produce clearness and conviction, but become in fact the occasion for endless disputes and misunderstandings. Why should one writer who sees that the value of money is 'fixed' by its value as merchandise quarrel with another who insists on the 'quantity theory,' and why should those who go back to cost of production deny any possible influence of a bimetallic ratio? These disputants tacitly assume that a variable cannot satisfy more than one law, and ignore the supreme mathematical principle that 'necessary and sufficient conditions' must be as numerous as the unknowns.

IRVING FISHER

THE BRITISH ECONOMIC ASSOCIATION was founded at a meeting held at University College, London, on November 20th, 1890, the Right Hon. G. J. Goschen, M.P., being in the Chair. The object of the Association is the advancement of economic knowledge by the issue of a Journal and other printed publications and by such other means as the Association may from time to time agree to adopt.

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It is hoped that the Association, which now includes more than 700 members, will gradually enlarge the scope of its action. It might supply a common meeting place for British Economists, and bring them together from time to time. It might issue additional economic publications, such as translations of foreign works, reprints of old and rare economic classics, &c. And lastly, if its funds sufficed for the purpose, it would be in a position to promote economic investigations, especially such as cannot well be undertaken by Government departments, and yet involve considerable expense.

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How We Came to the Gold Standard

The twenty-fourth and closing lecture in President Gunton's fifteenth annual course was delivered at Assembly Hall last Tuesday evening, as follows:

To a very large number of people in this country the gold standard is a most alarming thing, and signifies nothing but future calamity. They think, and are very intense in their belief, that almost all the ills we have endured in the last generation or more, especially since 1873, are due to the machinations for establishing the gold standard. They feel sure that if that gold standard were absolutely eradicated from our monetary system and the free coinage of silver adopted, all the other fiscal and economic evils would disappear.

Only last week one of the representatives of this school of thought, the Hon. Mr. Allen, of Nebraska, who once talked fifteen hours at a stretch to prevent the repeal of the Sherman law, delivered himself thus on the passage of the recent bill establishing the gold standard:

"Mr. President, of all the vicious legislation that has been proposed in this chamber since I have had the honor of occupying a desk here, I think this is the most infamous. It is further reaching in its blighting consequences. It affects not only the present but the future generations of our people with widespread disaster; the consequences of which cannot be calmly contemplated. No curse ever befell this country or ever befell the world that will equal in its direful consequences the passage and enforcement of this bill."

It would be quite difficult for anybody to express their horror of the consequences of legislation in more forcible English. These people say and do a great many things that people who do not agree with them think almost silly, and we are apt sometimes to rush to the conclusion that they are not sincere. But we

are mistaken about that. You could not get six or seven millions of people together who were all insincere.

If these people were asked how we came to the gold standard, they would probably answer with promptness, By conspiracy of the most direful and villainous kind; that its adoption in this country and some others is the cumulative result of a conspiracy in Wall Street and Lombard Street, and between the two, to bring about this result with the view of reducing the manufacturing and particularly the farming class to dependence upon the monied oligarcy, upon the bankers of the world; that this is the outcome of a long-range conspiracy for that purpose.

It is difficult to think of a conspiracy lasting for a century or more, which must necessarily have the continuation of two or three generations in it, to bring about such a direful result. It is difficult to get one's mind into a state where you can think of a motive that should induce bankers to get up a conspiracy and keep it up through a whole century and more, to reduce to dependence and poverty the great borrowing class, the great class upon whose prosperity banking and money lending is based. It is very difficult, I say, to think of intelligent people getting up a conspiracy consciously to impoverish the very people whom they want as customers. Yet I have in my office a stack of books as high as this table, published since 1893, every one of them insisting upon that fact. Do not make the mistake of thinking they do not believe it. It is no sort of answer to simply pooh-pooh and say, You are crazy. You never make a crazy man any calmer by telling him he is crazy. He insists he is the very one who is not crazy. I heard of a man once saying that all the world was crazy but him; he was the only sane man in it.

There are two or three theories or propositions that these people set up with a good deal of dogmatism. One is (or was) that the value of silver in some way or another is tied to the value of wheat and cotton; that as silver went so went wheat and cotton, and during the period from 1893 to 1896 particularly, wheat and cotton went down, as did a lot of other things. This seemed to be a very telling argument. It is fair to say here, however, that the more intelligent economists of France and England who have stood for bimetallism and free silver never admitted that doctrine. They never presented the idea that cotton and wheat necessarily go with silver; probably because they are not in great wheat and cotton raising countries. That argument belonged to this country. In all probability it was for consumption

in the South and West, where cotton and wheat are produced. At any rate, for a long time it had a great effect, and the more effect it had as an argument the more it was believed, even by those who advocated it.

However, in 1897 wheat refused to obey that law, and went kiting up from sixty cents a bushel to seventy, eighty, ninety, and even a dollar, and last year and this year cotton has broken loose also. Instead of remaining at five cents a pound it has gone up to nine; and to-day silver is down to fifty-nine and a fraction cents an ounce, or about forty-six cents in the dollar. This practically disposes of that part of the argument, which was purely an American product.

Another argument on which great stress is laid, has been dwelt upon for a century, even Adam Smith thought there was something in it and the European economists, those of them who were for free silver, have relied upon it; it is that the value of silver always sustains the same relation to gold that the quantity of silver produced does to the quantity of gold produced. To make that plain: if there are a million ounces of gold produced, and fifteen million ounces of silver, then the value of silver will be fifteen ounces to one of gold; one ounce of gold will be worth as much as fifteen ounces of silver. If there should be twenty times as much silver produced as gold, then the ounce of gold would be worth as much as twenty ounces of silver, and so on. I have no doubt but you have all heard that over and over again. It has been rather a fundamental doctrine on this subject.

There is no better way that I know of to answer that except to study the facts and see whether the value of silver has performed that way, for any considerable period kept that sort of relation to gold. We have not much difficulty in this, because we have the record of the amount of silver and the amount of gold produced for centuries. We have also the value of both of them, and their relation, and, what is more and better, the statistics on the quantity of gold and silver produced and on the relative value of gold and silver is disputed by nobody. They all quote the same statistics. If you will take Coin's "Financial School" or Laughlin's "Bimetalism" or Horace White's book, they all quote the same tables.

We have the data quite complete from the fifteenth century down, for almost every year, the total product and the value of both. But I will go only as far back as the latter part of the eighteenth century. From 1781 to 1800 the production of silver was 49.4 times the production of

gold. That is to say, there were 49.4 times as many ounces of silver as there were of gold. The ratio in the market value was 15.091 to one. You see it was not 49 times as much value to 49 times as much production. From 1801 to 1810 there was 50.3 times as much silver as gold, and the ratio was 15.6 to one. From 1811 to 1820 the production was 47.2 to one, and the ratio was 15.5. From 1831 to 1840 the ratio of production was 29.4, the ratio of value was 15.7. Then we come to a monetary revolution. From 1851 to 1855 there was only 4.4 times as much silver produced as there was gold, but the ratio was 15.4 to one. In 1810 there was 50 times as much, and the ratio was 15.6 to one. From 1851 to 1855 there was 5.4 times as much, and the ratio of value was 15.4. If there was any truth at all in this theory that the ratio of value kept pace with the ratio of production, silver ought to have been about 4.4 to one. Instead of that it remained at 15.4. And this was not an accident. It continued for a long time. From 1856 to 1860 the ratio was 4.5 of production and 15.3 of value; 1861 to 1865, the production was 5.9 to one and the ratio of value 15.4; 1866 to 1870 the ratio of production was 6.9, and the value remained, 15.5. So that, you see, the facts are as radical in their departure from the theory as in the case of cotton and the wheat. The ratio of production fell from 50 to 4, and almost no difference in the value, showing clearly that the facts do not support that theory at all; there is no particular relation between them. In truth, the theory that proportions of quantity govern the price is one of the old old fallacies connected with prices on the supply and demand theory.

Because silver and gold are both used for money it was assumed that for some reason this proportion determined their value. We might just as well say that the value of wheat is governed by its proportion to corn; that if there is twice as much corn as there is wheat it will be just half as much a bushel, and so on. The truth is, the corn is raised on its own account and wheat is raised on its own account, and the value of the wheat and the value of the corn are governed by causes that affect their production, and not the proportion to each other. The value of gold and the value of silver, like the value of iron or copper or tin or wood or anything else, are determined by the economic conditions that govern the cost of their production, as we shall have opportunity to see a little later,

They believe, however, next, that law governs the price of money, and

consequently that legislation is what has played havoc with the value of silver, and of course the legislation that is fixed as criminal was the act of 1873. You would think, when you are considering the subject at some time apart from an election, that if the value of silver had been falling all along, for centuries, when there was no legislation against it, that it would be noticed. What are the facts?

In the fifteenth century silver was $1.92 an ounce, a ratio of 10.75 to one. In the sixteenth century it was $1.80 an ounce. In the seventeenth century (these are averages) $1.40 an ounce. In the eighteenth century $1.38 an ounce. In 1859 $1.36 an ounce. In 1860 $1.35 an ounce. In 1865 $1.33 an ounce. In 1870 $1.32 an ounce. In 1875 $1.25. In 1880 $1.14. In 1885 $1.06. In 1890 $1.05. In 1895 65.4 cents. In 1896 65 cents, and to-day quotations are 59.75 cents. So we have for nearly four centuries a steady decline in the value of silver. And yet, in the face of that, we are asked to believe that an act in 1873 was the first real and only cause of the fall in the value of silver.

The truth is silver has followed the law of all other metals. It has fallen in value just as fast as its cost of production has been lessened, whether it has been lessened by the introduction of better machinery or methods of reduction or whatever, just the same as in the case of iron and copper and tin. It has gone the same way, along exactly the same line.

As to law fixing the value, just one word on that point. The law for the Bank of England is usually quoted, which provided that the bank should coin three pounds, seventeen shillings and tenpence halfpenny out of an ounce of gold. That is, that the bank should make of an ounce of gold three pounds, seventeen shillings, tenpence and one-half of a penny. When the Bank of England buys gold it gives three pounds, seventeen shillings and tenpence, keeping the half penny as compensation for loss of interest in carrying the gold between the purchase and the coining. It is asserted that that law fixed the value of an ounce of gold.

I wonder how that impresses you? It does show that three pounds, seventeen shillings and tenpence halfpenny shall be made out of an ounce of gold, but that is only saying what the ounce of gold shall be coined into. In this country we say an ounce of gold shall be coined into $20.68. Now supposing we had passed a law that an ounce of gold should be made into $40.00. We might have done it just as well. What would have been the effect?

Why, that each dollar would only have been about half the size of the present one. That is all. If you take an apple and cut it into six pieces, the pieces will be larger than if you cut it into twelve, won't they? Well it is just the same with an ounce of gold. If you take an ounce of gold and cut it up into twenty pieces and call them each a dollar, they will be twice as large as if you cut them into forty pieces, and they will only be half as large as they would if cut into ten pieces.

The value of gold has nothing to do with the number of pieces that are made out of an ounce. The law says how many pieces shall be made from an ounce. Economic law says how much value each piece shall have, and all parliaments and all Christendom, religious and secular combined, could not make a dollar have the value of two dollars, nor a pound have the value of thirty shillings. That is beyond legal power. All that the government can do is to say what coins shall be made; how many grains, for instance, shall be a dollar or a pound, and therefore how many shall be made out of an ounce. The value is determined exactly like that of iron and tin. It has to go into the market in exchange for commodities, and its value has an economic, not legal, significance. That, therefore, is a clear mistake.

Now, how did we come to a gold standard? As briefly as I can I will go over the efforts we have made, and we shall see that every effort in changing our coinage and in changing our ratio has been, not to *fix* the value, but to *follow* the value. Instead of the value of the coins being changed because of our laws, the laws were changed because the value of the metals had altered.

We began, in our coinage experiments, in the colonies, though we practically did nothing. Virginia as early as 1645 moved toward the establishment of a mint. Massachusetts followed in 1652. New Hampshire and South Carolina both passed mint laws, but none but Massachusetts ever really did any minting. Under the confederation, before the constitution, the nation began to deal with the subject. Jefferson and Morris investigated it with reference to establishing a mint and fixing the ratio of the coinage. What did Jefferson do? Did he say, alone in his study, We will make the dollar worth so much? No. He investigated what the value of silver was, and what its ratio was, and what its bullion ratio, in every country in Europe, and he found out that in Spain they were having it at

16 to one, in England at 15.2 to one, in France 15 to one; and, considering the bullion value—what it would sell for to use in the arts—and what it would be coined for at the mints, —he recommended that 15 to one would be about as near as they could get.

When we adopted the constitution, Hamilton, the secretary of the treasury, was authorized by Washington to go at the subject again, and he did so, went over the same ground, came to the same conclusion, and was heartily endorsed, almost the only thing that he ever was very thoroughly endorsed in by Jefferson. He arrived at exactly the same conclusion, and recommended that the ratio be 15 to one; that is, that one ounce of gold be treated as equal to fifteen ounces of silver, and that our coinage laws should be on that basis. The mint was established and that was the basis. But it developed that although they got as near as they could they did not get near enough to have it exact. I ought to say here that the silver dollar under this law contained, finally, 371¼ grains of pure silver. There was ever so much alloy, but it had 371¼ grains of pure silver, and it has the same to-day. In the gold dollar at this time there were 24.75 grains. With the existing value of silver that came nearly being 15 to one, but not quite. The truth was that silver was not worth quite that; it took a little more than fifteen ounces to be worth as much as an ounce of gold, so that silver was overvalued. That is to say, the silver in a dollar was put legally at a value higher than it was in bullion, and that meant that the gold dollar was undervalued; it was really worth a little more than the silver dollar.

What happened? Nobody would take gold to the mint, because it was worth more as bullion than it was as dollars, and therefore there were very few dollars coined, no gold in circulation. The law had said they were both legal tender and standard money, but the people who dealt with the value took no notice of the law. They said, this gold is worth more than that. I am not going to take it there, because I can get more for it if I take it to the jeweler's; I can get more for it if I use it in the arts, and therefore it shall not go into dollars. The result was that nobody's gold went into dollars.

There was another peculiar circumstance at this time. I think in 1793 congress passed a law that the Spanish dollar should be legal tender in this country. It was circulating very largely from Mexico, and congress declared that it should be accepted for all debts and taxes, and be

legal tender. It happened that the Spanish dollar had a little more silver in it than our dollar had, and, lo, and behold! Yankees were Yankees then just the same as they were in Connecticut when they made wooden nutmegs. They traded as fast as they could. The Mexican dollar was legal tender, and they kept collecting the Spanish dollars and sending out our dollars, and finally our dollars nearly all disappeared, and so neither the gold nor the silver dollars that we made were circulated. Our silver dollars were new, and the Spanish dollars were more or less worn, so we had no trouble in exchanging them.

We could not keep any money of either kind of our own making, and in 1806 Jefferson suspended coinage of silver dollars. They coined the halves and quarters and dimes, but only the fractional money, no dollars.

In 1834 they undertook a revision of the whole matter. Gold would not circulate, and the silver dollars had gone, and finally they said, We will readjust the ratio; and they reduced the size of the gold dollar 6¼ per cent. They changed it from 24.75 grains to 23.2 grains. We did not change the silver at all, but this change made the ratio just a little over sixteen to one. That, it was thought, would remedy the whole difficulty. The effort of Jefferson and Hamilton was to make them just alike as to their bullion value. They had failed, the silver had been going down a little, and now they made quite a radical change. They changed the gold dollar so that the ratio was sixteen to one, and the result was in this case that they cut too much off, and then the gold dollar was not worth as much as the silver dollar, and nobody would take any silver to the mint, because it was worth more to take it to the jeweler's shop or to make teapots of it, or silver spoons. It was at a premium over the gold varying from two and a half to three per cent. right along.

The halves, quarters and dimes had been made exactly equal, proportionately, to the dollars. That is to say, in the old coinage the silver that was in a half dollar was just half as much as that in a dollar, so that two halves weighed just as much as a dollar, four quarters weighed just as much as a dollar, and ten dimes weighed just the same, so that the coinage of fractional money was on the old basis, and the gold had been cut down. No silver dollars were ordered to be coined, and they found that they could not keep any fractional money in the country at all. It all went. They coined nearly a hundred millions of fractional money, and it kept going, as if

through a sieve. It was worth two or three per cent. more, you know, and it would pay to melt it up or sell it, and we could not keep it in circulation.

In 1837 still another effort was made to change and adjust the dollars so that they would circulate. This time it was an increase in the required fineness; which slightly increased the amount of pure metal in a gold dollar and reduced the ally in a silver dollar, though not changing the amount of pure silver; which made the ratio 15.988 to one.

But they kept minting money and did not have any. In 1853 they reduced by 7 per cent. the amount of silver in the halves and quarters and dimes, so that it would not pay anybody to melt them down, and then they decided that there should be no free coinage for fractional money. It was to be coined only at the pleasure of the government. No dollars were being coined at all, for Jefferson suspended the coinage of dollars in 1806, and the fractional money was now restricted by the law.

You see, in each of these cases, the government was not conspiring to drive silver out. It was constantly struggling to keep them both in. The effort of each law was so to adjust them that neither would get away; it was to make them both worth exactly what they were in the bullion, as the only way to keep them in circulation. But as silver was constantly declining, it was difficult to do that, and just as soon as it got a little off the equilibrium then the whole matter was thrown out again. One or the other coin was leaving the country all the time.

From the act of 1873 on, a silver dollar was worth more than a gold dollar, and consequently nobody took any silver to the mint. None was coined; it had fallen out of use. When we came down to the 70's the legisiators supposed that there was no need of silver dollars. Nobody used any, and for that reason it was left out of the law. If there had been any effort, any desire, to coin silver dollars there is no evidence whatever that they would have been dropped out of the law. It was simply that when the opportunity was there nobody took any, and consequently they said, why, gold is the standard, silver is gone. We do not get any silver, we cannot get any. Nobody wants any, and what we have to take care of is our small change, and when they came to discuss the matter in 1875 they dropped the silver dollar from coinage.

This law was discussed for three years. It was introduced in 1870, 1871 and 1872, and finally passed in 1873. When it was under discussion there was not a silver man to defend it. Not one. Silver had

not a friend. Mr. Stewart of Nevada was in the senate at the time, and made two speeches; in both of them he declared that he wanted gold. He said:

"I want the standard gold, and no paper money not redeemable in gold; no paper money the value of which is not ascertained; no paper money that will organize a gold board to speculate in it!" And at another time:—"By this process we shall come to a specie basis, and when the laboring man receives a dollar it will have the purchasing power of a dollar, and he will not be called upon to do what is impossible for him or for the producing classes to do—figure upon the exchanges, figure upon the fluctuations, figure upon the gambling in New York; but he will know what his money is worth. Gold is the universal standard of the world; everybody knows what a dollar in gold is worth."

To-day Senator Stewart is one of the most pronounced among those who are proclaiming to the world that the human race was ruined by the conspiracy to demonetize silver in 1873,—and he advocated it and voted for it himself.

The secret was, as I have said, that silver was still worth more than gold. The senator had silver mines in Nevada, but he did not want to have any of it coined; there was nothing in it. So that, the act of 1873 just naturally came along, because nobody was interested in the silver, and it dropped out.

But about this time two or three other circumstances occurred. One was that after the Franco-Prussian war Germany made France pay five billions of francs in gold, as an indemnity for having gone to war; did not do as we did in the case of the Philippines, you know, pay the whole expense and give twenty millions for pocket money. No, she made them pay five billions of francs. Immediately Germany went to the gold standard, and did more, went to melting her silver coin and putting it on the market as bullion. It must be admitted that that contributed a little to the fall in silver that had been going on slowly during the century. But, if you will look at the dates and the amount of the fall, you will see that it was nothing great. It was just a little additional decline. One after another all the great countries, and recently Japan, have dropped silver as a standard. Germany adopted the gold standard in 1871; the United States in 1873; Holland between 1873 and 1875; the Latin Union, including France, Belgium, Switzerland, Greece and Italy, in 1876; Spain in 1878 and Austria in 1879. Japan adopted it in 1871 but was

unable to maintain it; she readopted it in 1897 with success. England has had the gold standard since 1816.

These changes were because the decline in silver kept the ratio changing so that it was impossible to keep any parity under free coinage. Gold would not stay in circulation in any commercial country. No country could keep it. In this country we had great discoveries of silver, also revolutionary inventions in mining machinery, so that the cost of producing silver kept going down and down, and the price, just like t e price of cotton cloth when the cost went down, steadily fell. The value followed the cost until it got to where there was an immense interest in having the silver coined.

When silver is at 16 to 1, the gold price is $1.2929 an ounce; so that, just as soon as the value of silver fel below $1.29 there was a profit in getting it coined; when it reached $1.00 there was 30 cents practically of profit on every ounce of silver. Well, you can see why Mr. Stewart suddenly became interested in silver. He wanted gold so that the workingman could know when he had a dollar in his pocket and know that it would not be 80 cents when he woke up in the morning (laughter), but, just as soon as silver got to where there was 30 cents an ounce profit, then the workingman was interested in prices going up, the farmers were ruined by the want of money, and civilization itself depended on the free coinage of silver. (Laughter.)

Now I want you to note the fact, from the entire Congressional Record, that there was not a voice raised in all this controversy, in all this changing of acts and trying to adjust the silver to the gold, in favor of the free coinage of silver. The fact was, as I said, nobody would take any silver because there was no profit in it, but, just as soon as it got where there was a big profit in the coinage of silver, then civilization depended on its being freely taken to the mint.

The result was through this pressure that in 1878 we passed a bill which ordered the secretary to coin (and this is the first time there was any coinage of dollars practically after 1806) not less than two million dollars worth of silver a month, and not more than four million into standard dollars, to be full legal tender. Under that we had our present silver dollars coined. That went along until 1890, and during all this time silver was going down and down and down, and therefore the profit in coining silver was going up and up and up, and, very naturally, those who were interested in silver grew fiercer and fiercer for free coinage.

So that in 1890 we had what was called the Sherman Act. The two

millions a month was not enough, and the McKinley tariff bill was before congress, and you know in politics there are trades, they swap horses sometimes; the end is supposed to justify the means. The McKinley Act was up and it was believed to be a very important measure. It was before the senate. This was Senator Stewart's and Jones' and the silver people's opportunity. They said, We will not pass your tariff bill unless you will give us more silver. Well, how much do you want? We want free coinage. Well, we won't give that; we will lose the whole business first. The republican party drew the line at that point. They said, We will not give free coinage. That would simply put us on a silver basis immediately; and, let the consequences be what they may, if the sun never shines again, we will not give free coinage of silver. They had a conference, and in this conference the silver people compromised on this: that the government should buy 4,500,000 ounces a month, which was estimated to be then the entire American output of silver. It should buy it at the market price and pay for it in treasury notes. It did so, and under that act and the law of 1878 we added to our circulation some $570,000,000 in coins, silver certificates and treasury notes of 1890.

We reached the point finally of a crisis. Silver still went down. It went up immediately after the Sherman Act was passed, I believe twenty points, but it did not stay up a month. Ever so many congressmen winked at their friends in Wall Street, and were going to make a very good thing. Some of them acted quickly and did very well. But silver would not stay. It went right down again, and has been going down and down ever since. It became necessary to repeal the Sherman Act in 1893, as you all know. Both parties, everybody except the free silver people, agreed that that was practically indispensable.

So that is the record of our experience. The sheer trend of economic forces on the value of silver had finally compelled us, as it has compelled every other commercial nation in the world, to leave silver as a standard and adopt the other metal. How we came, therefore, to the gold standard was not by conspiracy but by the inevitable movement of economic forces. The introduction of science, the invention of machinery, the cheapening of transportation, the finding of new and better mines, all have led to the cheapening of the metal, and this fact, not any laws, brought about the establishing of the gold standard. This fact, against which no

laws could stand, the movement of which nothing could arrest, has made it indispensable for this country, and it was therefore the movement of the industrial evolution of the period, and made necessary by the forces of civilization. (Applause).

Now, one other thought: I want you just for a moment to imagine how, if law did all this, if the value of silver was pushed down by law and not by these economic forces, how could anybody anywhere produce silver to-day at 59 cents an ounce? Why, if they were making only ordinary living profits in producing silver along in the 30's at $1.30 an ounce, they would be ruined at once and go to the poorhouse at 59 cents if the cost were no less to-day than then; and if they could then produce it at 59 cents they were getting rich faster than Crœsus. The fact is, they are making as much profit out of silver to-day at 59 cents as they were in 1830 at $1.32; just the same as the cotton manufacturers are making as big profits on their investment at three, three and a half and four cents a yard to-day as they were in 1830 at seventeen cents a yard. It is the difference in the cost that has affected that. If there are any doubts about that, the facts again come up, and they are difficult to push away. They show that the world's production of silver has steadily increased. In 1888 it was about 109 million ounces; in 1898 it was 155 million ounces. Now if they are losing money by this ruinous crime of 1873, why are they going on and producing 50 per cent. more silver than they did only ten years ago? In 1873 they produced in the world only 10½ million ounces of silver, and last year 165 millions.

If you want any evidence whether a business is profitable, just look and see if people keep at it. When a business begins to be ruinous, and legislation has taken all the profits out, people will leave it. Just as soon as there is no profit in it they leave it. New capital does not go in. But silver mining is increasing. It has increased the output 50 per cent. in the last ten years. Why? Because it is profitable; more profitable than anything else those men can easily put their money into. And it is not only that they are keeping on their old production, but they are increasing it. They are doing more and more and more.

What does all this mean? Why, it means simply that the cost of producing silver has fallen, and therefore they can produce it and get on in a good ordinary profitable way at 59 cents an ounce, in somewhat the same fashion that they could in the 40's and 50's for $1.32 an ounce, and that the whole matter of the

price is one of the economic cost. It is no detriment to the silver people, but to give them free silver would be an immense bonus for them, because it would be to give them a market for all the silver they could produce at $1.30 an ounce, until gold was driven out and silver fell to its real value.

That would be very much like the government saying to the cotton manufacturers of New England and the South, The price of your cotton cloth in 1870 was nine cents a yard; we will pass a law that the United States government shall take all the cotton cloth that is produced at nine cents a yard. Who would stand that for a moment? They can make it at three or four cents now, and if the government should say that it would take all they could produce, and take it at nine cents a yard, why of course the cotton manufacturers would organize a political party for it, wouldn't they? Of course they would get up all the ingenuity of argument to show that the salvation of the human race depended on it. But would the people of any other industry sanction it? No. It is absurd the moment we apply it, the moment we think of it. Yet that is exactly the proposition of the free coinage of silver advocates to-day. Free coinage of silver to-day at sixteen to one says this and nothing else: The mint price of silver in 1873 was $1.2929 an ounce; we want a law passed that the United States government will take all the silver we can produce at that price, and make it into dollars, and give us that for all our output, without any limit. That is what it means.

It is a business proposition, and not a monetary one. The economic conditions have taken it out of the monetary category and put it into the business category, and the moment it gets into the business category it becomes absurd on the face of it. You could not get a baker's dozen of the most uninformed people in this country to listen to that proposition unless you surrounded it with the occult theory that somehow or another this ratio is the great behind-the-scenes force which keeps civilization going. The moment you lift the veil and see that the value of that silver, like the value of my coat, is simply the result of the economic forces affecting the cost of production, and that there is not any occult force about it, there will not be anybody to listen to the proposition.

In every aspect of the case, if we will let the facts that are thoroughly verified, and the efforts of our statesmen from the beginning of our government come in as evidence, and look at the motives, listen to the testi-

mony of Senator Stewart or any of them, there is but one conclusion and it is that we came to the gold standard because economic forces and the interest of civilization made it absolutely indispensable. (Applause).

Questions and Answers.

Question. I wish to correct if I may a statement that you made during your lecture, and that was in reference to the diminishing amount of money in circulation under free coinage in this country, which caused Jefferson to suspend coinage of dollars in 1806. The actual cause, as I understand it, was the fact that at that time the ratio was established at 15 to one in this country, and France had the ratio of 15½ to one, and that difference of one half of one ratio paid for all the cost of transportation and left a profit, by transporting it, not only dollars but also subsidary coins, to France.

Answer. In the early years of our coinage, down to 1803 France did not have 15½ to one; it was 15 to one. She had 15½ to one after 1803. When Hamilton and Jefferson investigated the subject they reported, and it is in Hamilton's report, in 1791, that France had 15 to one, England 15.20 to one, Spain 16 to one.

But, if France had 15½ to one, it would have been impossible for our coin to go to France, as the gentleman suggests, because it would have been worth less in France than here. Fifteen and a half to one is less value for silver than fifteen to one, and the gentleman can hardly argue that silver will go from a market where it is higher to one where it is lower. He is confusing this period with the period after 1834, which was after we had established the ratio of 16 to one. After 1834, when France still had 15½ to one, much of our silver went to France, but it did not go as coin, for practically none of it had been to our mint. If it went abroad at all it went as bullion. But the difference in ratio could not have been the reason why silver left the country from 1792 to 1806, for it was more valuable here than in France.

France never could have taken much of our money, because we did not coin much. We did not coin hardly any. We used the Spanish dollars, and our gold would not circulate.

If it had been that our silver dollar was worth more than our gold dollar, the gold would have stayed. Whether it went to France or elsewhere is a matter of detail. But the fact remains, and this is my point, that when Jefferson and Morris and Hamilton all three investigated this subject, the only thing they sought for and the only thing they studied in their reports was to have it coined at a ratio in which its coin value

would be equal to its market value, so that nobody would have any interest in converting it back again into bullion or preventing it from going to the mint. That was the thought, that was the point again in 1834, and again in 1853. That has been the point, in fact, every time there has been any approach to the subject by congress.

It cannot be said that there has been any enmity to silver; there has been no attempt to change the silver dollar. It was 371¼ grains pure silver in the act of 1792, and that is what it is to-day. The change has been with the gold, and with the alloy, but never with the silver dollar. They did change the fractional currency, so that the people could have some change in circulation. Our friend will not for a moment contend that the 16 to 1 proposition to-day is even looking in the direction of making the bullion and coinage value alike, because the ratio at the market value to-day would be thirty-five to one. So that, anyone who asks for sixteen to one to-day is not asking what Jefferson asked for, is not asking what Hamilton asked for, or what any of the revisionists of our currency asked for. If our silver friends were willing to say that they wanted silver coined on the same basis that gold is coined, that would be all right.

Question.—Gold has free coinage to-day and silver has not.

Answer.—Well now, let us see. On what conditions do the doors of the mint stand ajar to gold? That the gold dollar shall contain simply the equivalent of the value of bullion that is in it. That is the condition on which gold goes to the mint. (Applause.) Now if my friend is willing to have that for silver then I have not the slightest objection, only he cannot talk 16 to 1. He must talk thirty-five to one. (Applause.)

Instead of having 371¼ grains it will have to contain about 800 grains. All that I have to say is, if you want to come in abreast all right, but you cannot hitch up tandem and call that abreast. (Applause.) He who is asking for 16 to one is asking to receive more than two for one.

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HAYES ROBBINS, EDITOR.

COURSE IN SOCIAL ECONOMICS

LESSON AND READINGS FOR WEEK ENDING APRIL 6

This week we finish the course on Social Economics, and publication of the BULLETIN ceases until October, as usual. Our concluding lesson takes up additional phases of the labor organization question, as follows:

(*c*) Economics of trade unions; (*d*) their mistakes and what they need.

The class lecture, by President Gunton, is as follows:

Class Lecture

Of all the kinds of organization in the name of labor, trade unions are alone strictly economic in their character. As before remarked, every other form of labor association has more or less of a socialistic or political character. The socialists, for instance, agree to almost everything the strictly trade union stands for, but always with the ulterior purpose of using the political power of the workers ultimately to establish public ownership of industries. They are so much imbued with this that they can seldom discuss any concrete proposition connected with labor without coming around to public ownership.

The peculiar feature about the trade union is that it is a craft organized strictly for the economic improvement of the members of a particular trade. The federation of trade unions extends the organization until it acquires a national character, for it federates the trade groups or the different craft organizations into one general body. But this federation is only for cooperative purposes. Each union and each group of unions in the specific trade remains as distinctly devoted to its particular trade as if there were no federation.

Moreover, the purpose of the trade union is always economic. That is, it deals with industrial conditions, such as hours of labor, wages, employment of minors, and other matters that relate to the workshop life and opportunities. This is the real secret of the strength of trade unions. They have not ebbed and flowed as the socialistic and quasi-political organizations have. They have never been more popular then they are now

with the public and the employing class. In fact, they began with being extremely unpopular—so unpopular that they were deemed conspiracies. But, year by year and decade by decade, they have persisted. No amount of political condemnation, social ostracism or moral censure seems to have affected their growth. They make mistakes, encounter defeats, get under bad leadership, become the victims of political demagogues. All these experiences they have had, and momentarily seemed to disintegrate under the exposure of fraud or collapse from false or rabid leadership. Yet they appear again, and while a single union may go through this experience it is never the experience of all unions in any trade, or in the aggregate of trades in any country at a given time. It is very much like a backsliding vestryman or preacher in the church. It is a shock to the church, but they get a new preacher or reorganize the vestry. It seldom dies from such a cause.

The reason for this is that the union is a natural, and in the present state of civilization a necessary, feature of industrial activity. It is the most efficient means that experience has presented by which laborers can make their desires and wishes effective. So that, despite these mishaps, the movement survives and continues, because it is in line with the needs of the times, and is a necessary part of nineteenth century organization of industry.

But these misfortunes, which seem conspicuous, are nothing as compared with the general success. It is probable that not one union in a hundred has been the victim of this kind of misfortune. The demagogue, the downright extravagant schemer, is not nearly so prevalent in trade unions as in political parties, and when he does appear in the trade unions he is usually the product of the political machine. He is usually a politician who is trying to use the labor organization for political ends. Not always, but frequently this is the case.

The permanance and on the whole usefulness of the trade union, and its economic superiority over all other forms of labor organization, is chiefly due to this fact of its exclusive economic character. There are two things which the trade union does that are permanently beneficial to the wage class. One is its constant vigilance over the wages, hours of labor, conditions of employment and treatment of the members of its craft. A union is sometimes unreasonable, but it is always dealing with things that its members are directly interested in. It is constantly on the alert for higher wages and

From Prof. H. C. Adams
July 1897

CONDENSED ARGUMENTS

IN FAVOR OF

THE GOLD STANDARD.

Showing the impossibility of two standards with the present unequal ratio of production of Silver and Gold.

Compiled and Presented to the Members of the Washington County Agricultural Society at its 19th Annual Fair, by Rowland Hazard, Pres.t of the Society.

WASHINGTON COUNTY AGRICULTURAL FAIR GROUNDS,
1893.

CONDENSED ARGUMENTS

IN FAVOR OF

THE GOLD STANDARD.

GOLD AND SILVER IN THE UNITED STATES.

	1889.	1890.	1891.
Gold product	$32,800,000	$32.845,000	$33,175,000
coined,	21,413,931	20,467,182	29,222,005
Silver product	$64,646,000	70,465,000	75,417,000
coined,	35,496,683	39,202,908	27,518,857

Total gold for three years..... $98,820,00
Total gold coined for three years..... 71,103,118

The above statistics show that only seventy-two per cent. of the gold produced was coined, or more than *one-quarter* of the gold produced in the United States was worth more for other purposes than it was for money.

The following table shows the production of gold and silver in the world at different periods. It is taken from the work of the great German statistician Ad. Soetbeer, entitled "Materials towards the elucidation of the economic conditions affecting the precious metals," and translated by Professor F. W. Taussig of Harvard University. This work is an acknowledged authority. The weights are given in kilogramms, each kilo 2.2046 pounds avoirdupois, or 2.6792 pounds troy. The coin value according to the report of the director of the mint is for gold, $664.60 per kilo, and for silver $41.56. The ratios of production have been calculated from the figures given.

For the period 1890 to 1892 the figures are taken from Leech's report. Note the enormous change in ratio of production of silver since 1870.

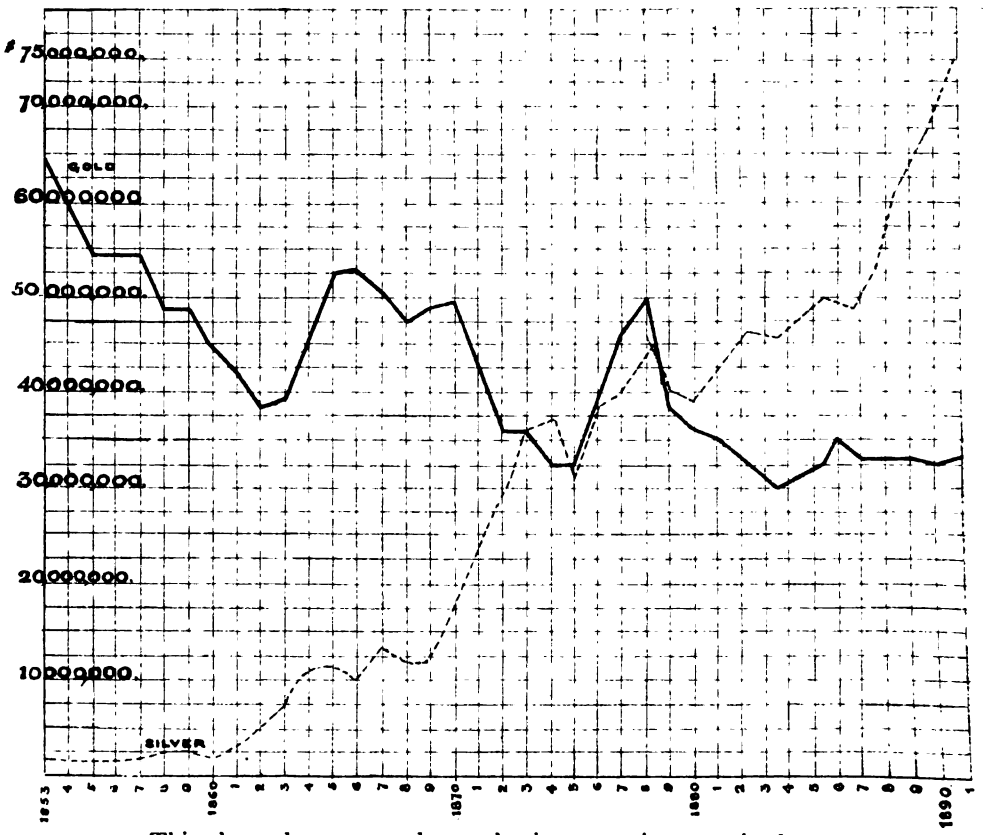
		Gold Kilos. $664.60 Each.	Silver Kilos. $41.56 Each.	Ratio.
1761 to 1800	Average per year	17,790	878,066	1 : 49
1801 to 1810	" "	17,778	894,150	1 : 50
1811 to 1820	" "	11,440	540,770	1 : 47
1821 to 1830	" "	14,216	460,580	1 : 32
1831 to 1840	" "	20,389	596,250	1 : 29
1841 to 1850	" "	51,769	780,405	1 : 15
1851 to 1855	" "	199,368	886,115	1 : 4.4
1856 to 1860	" "	201,759	904,990	1 : 4.4
1861 to 1865	" "	185,067	1,101,150	1 : 6
1866 to 1870	" "	185,095	1,338,085	1 : 7
1871 to 1875	" "	173,904	1,969,425	1 : 11
1876 to 1880	" "	172,414	2,450,252	1 : 14
1881 to 1885	" "	140,137	2,861,709	1 : 20
1890 to 1892	" "	182,800	4,455,993	1 : 24

(FROM LEECH'S REPORT.)

ANNUAL PRODUCT OF GOLD AND SILVER IN THE UNITED STATES FROM 1853 TO 1892.

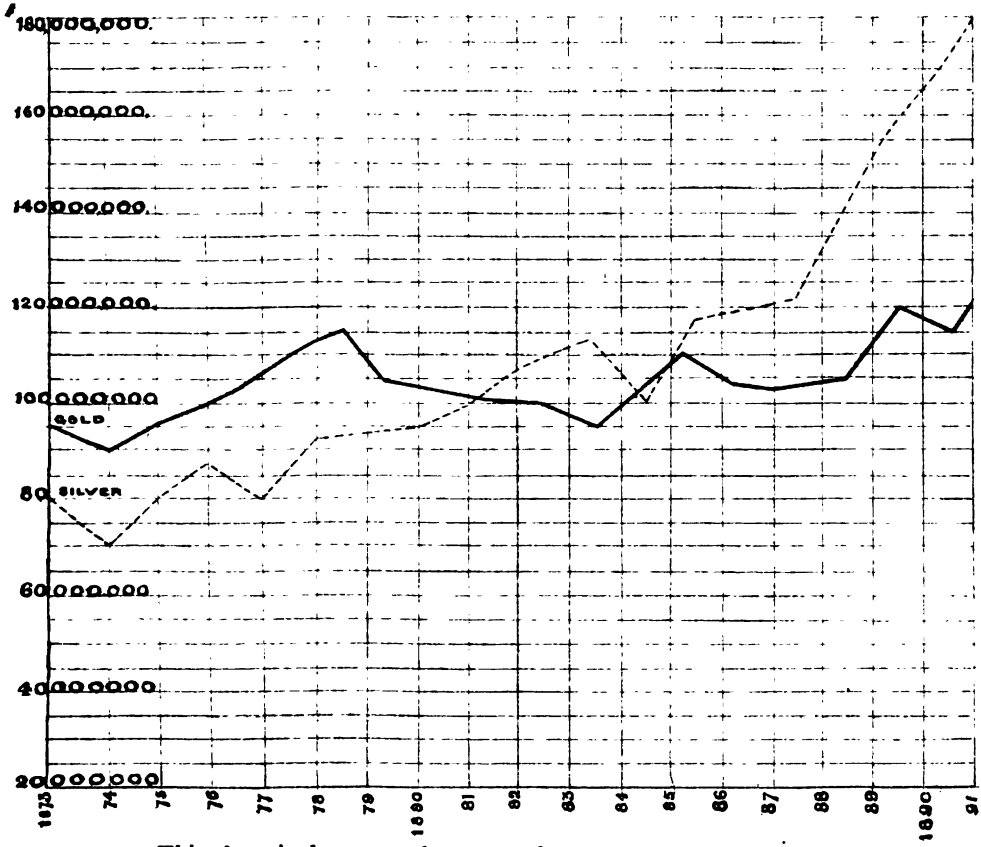
Years.	Gold.	Silver.	Total.
1853	$65,000,000	$50,000	$65,050,000
1854	60,000,000	50,000	60,050,000
1855	55,000,000	50,000	55,050,000
1856	55,000,000	50,000	55,050,000
1857	55,000,000	50,000	55,050,000
1858	50,000,000	500,000	50,500,000
1859	50,000,000	100,000	50,100,000
1860	46,000,000	150,000	46,150,000
1861	43,000,000	2,000,000	45,000,000
1862	39,200,000	4,500,000	43,700,000
1863	40,000,000	8,500,000	48,500,000
1864	46,100,000	11,000,000	57,100,000
1865	53,225,000	11,250,000	64,475,000
1866	53,500,000	10,000,000	63,500,000
1867	51,725,000	13,500,000	65,225,000
1868	48,000,000	12,000,000	60,000,000
1869	49,500,000	12,000,000	61,500,000
1870	50,000,000	16,000,000	66,000,000
1871	43,500,000	23,000,000	66,500,000
1872	36,000,000	28,750,000	64,750,000
1873	36,000,000	35,750,000	71,750,000
1874	33,500,000	37,300,000	70,800,000
1875	33,400,000	31,700,000	65,100,000
1876	39,900,000	38,800,000	78,700,000
1877	46,900,000	39,800,000	86,700,000
1878	51,200,000	45,200,000	96,400,000
1879	38,900,000	40,800,000	79,700,000
1880	36,000,000	39,200,000	75,200,000
1881	34,700,000	43,000,000	77,700,000
1882	32,500,000	46,800,000	79,300,000
1883	30,000,000	46,200,000	76,200,000
1884	30,800,000	48,800,000	79,600,000
1885	31,800,000	51,600,000	83,400,000
1886	35,000,000	51,000,000	86,000,000
1887	33,000,000	53,350,000	86,350,000
1888	33,175,000	59,195,000	92,370,000
1889	32,800,000	64,646,000	97,446,000
1890	32,845,000	70,464,000	103,309,000
1891	33,175,000	75,417,000	108,592,000
1892	33,000,000	73,697,000	106,697,000
Total from 1792	1,937,881,769	1,146,869,000	3,084,750,769

Coining Value of the Gold and Silver Produced from the Mines of the United States 1853–1891



This chart shows at a glance the immense increase in the production of silver in the United States. The dotted line is the line of silver production. The heavy black line is gold. The years will be found along the level line at the bottom of the chart, and the coin value at the left hand side. For instance, following up the line of 1870 we find the gold line crossing it at $50,000,000, which was the production of that year, and the silver line crossing it much below.

ANNUAL PRODUCTION OF GOLD AND SILVER IN THE WORLD —— COINING VALUE —— FOR THE CALENDAR YEARS 1873–1891



This chart is drawn on the same plan as the preceding, but as it shows the world's product the scale of values is smaller, and fewer years are given. Observe, the general course of the world's production of gold is increasing slowly, while the production of silver is increasing very rapidly. The chart is in fact not large enough to show the product of silver in 1892. It was $196,000,000, as shown by the following table:

The following table is from Leech's report. It is substantially the basis upon which the chart on a preceding page of the world's production of silver and gold has been drawn. It is given here for more precise information:

PRODUCTION OF GOLD AND SILVER IN THE WORLD FOR THE CALENDAR YEARS 1873—1892.

Calendar Years.	GOLD.	SILVER.		
		Fine Ounces, (Troy.)	Commercial Value.	Coining Value.
1873....	$96,200,000	63,267,000	$82,120,000	$81,800,000
1874....	90,750,000	55,300,000	70,673,000	71,500,000
1875 ...	97,500,000	62,262,000	77,578,000	80,500,000
1876....	103,700,000	67,753,000	78,322,000	87,600,000
1877....	114,000,000	62,648,000	75,240,000	81,000,000
1878....	119,000,000	73,476,000	84,644,000	95,000,000
1879....	109,000,000	74,250,000	83,383,000	96,000,000
1880....	106,500,000	74,791,000	85,636,000	96,700,000
1881....	103,000,000	78,890,000	89,777,000	102,000,000
1882....	102,000,000	86,470,000	98,230,000	111,800,000
1883....	95,400,000	89,177,000	98,986,000	115,300,000
1884....	101,700,000	81,597,000	90,817,000	105,500,000
1885....	108,400,000	91,652,000	97,564,000	118,500,000
1886....	106,000,000	93,276,000	92,722,000	120,600,000
1887....	105,775,000	96,124,000	94,031,000	124,281,000
1888....	110,197,000	108,827,000	102,283,000	140,706,000
1889....	123,489,000	125,420,000	117,268,000	162,159,000
1890....	113,149,600	133,212,600	139,873,200	172,234,500
1891 ...	120,518,800	144,426,200	142,693,000	186,733,000
1892....	130,816,600	152,061,800	133,054,000	196,605,200

The silver product is given at its commercial value, reckoned at the average market price of silver each year, as well as its coining value in United States dollars.

GOLD COIN IN THE WORLD.

The stock of gold coin in the world is estimated by Leech at $3,656,000,000. (Report to Senate May 24th, 1892.)

Soetbeer, (p. 192) estimated the stock in 1885, at 13,364,000,000, *marks*, equal to about $3,300,000,000. If both these estimates are correct there appears to have been an addition to the stock of gold coin during the seven years, 1885 to 1892, of $356,000,000, or about $51,000,000 per year. The average yearly product of gold during the seven years was about $120,000,000. Jacob, who wrote before 1831, and whose book is of acknowledged authority for his times, estimated that not more than three-sevenths of the product of the precious metals was used as coin. Three-sevenths of $120,000,000 is equal to $51,400,000. This seems a remarkable confirmation of Jacob's rule. The reports of coinages, however, indicate an addition to coin of $100,000,000 per year for the seven years. From this addition must be deducted the loss by wear on the total stock, the loss by shipwreck, and the loss by the remelting of coin for use in the arts. This last is very difficult to estimate. The loss by wear is ten per cent. every forty-two years, as determined by careful investigation by Jacob. The other losses are probably three times as much. The account would stand—

Soetbeer's estimate in 1885		$3,300,000,000
Add coined to 1892		700,000,000
Total		$4,000,000,000
Deduct for 7 years' wear 1⅞ per cent	$77,000,000	
" for other causes	245,000,000	$322,000,000
1892. Total stock of gold coin		$3,678,000,000

The general result is that the world's stock of gold coin in the year 1892 is a little less than $3,700,000,000. The world's total stock must be at least double this sum, and is probably $10,000,000,000.

A considerable part of the gold which is coined is remelted for use in the arts. This fact proves that there is no scarcity of gold for coin purposes. *All that was available for coin was not used.*

There is therefore no force in the argument that there is not enough gold produced to furnish money for the world's business. *All will be taken for money which can profitably be so used.* As all is NOT taken the supply is fully equal to the demand.

The German *mark* used in the following table has a value of very nearly twenty-four cents.

DAILY WAGES PAID BY THE BUILDING COMMISSION AT HAMBURG FROM 1848 TO 1886.

Year.	Time of Year.	Stone-Cutters.	Masons.		Assistants to Masons.		Laborers.		Working day from Morning to Evening.*	
			First Class.	Second Class.	First Class.	Second Class.				
		Marks.	*Marks.*		*Marks.*		*Marks*			
1848.....	Summer.....	2.40	1.80 to 2.40		1.35 to 1.50		1.20 to 1.35		.....	
	Winter.....	1.80	1.65	1.80	1.20	1.35	1.05	1.20	.....	
1850-'51...	Summer.....	.....	2.40		1.50		1.20	1.35	.....	
	Winter	.....	2.10		1.35		1.05	1.35	.....	
1856.....	Summer.....	.....	2.40 to 2.70		1.80		1.50	1.80	.....	
	Winter.....	.....	2.10	2.55	1.65		1.35	1.65	.....	
1861.....	Summer.....	.....	2.55	2.70	1.80 to 1.95		1.50	1.80	.....	
	Winter.....	.....	2.25	2.55	1.65	1.80	1.35	1.65	.....	
1867.....	Summer.....	3.60	2.70	2.85	2.10		1.65	1.80	6 to 7	
	Winter.....	3.30	2.40	2.25	1.95		1.50	1.65	7	5
1868-'70†	Summer.....	3.60	3.00	2.70	2.25		1.80	2.10	6	7
	Winter.....	3.30	2.70	2.40	1.95		1.50	1.80	7	5
1871.....	Summer.....	3.60	3.00	2.70	2.25		1.80	2.10	6	7
	Winter.....	3.30	2.70	2.40	1.95		1.50	1.80	7	5
1872.....	Summer.....	3.90	3.30	3.00	2.55	2.40	1.80	2.40	6	6
	Winter.....	3.60	3.00	2.70	2.25	2.10	1.50	2.10	7	5
1873.....	Summer.....	4.05	3.30	3.00	2.70	2.55	1.80	2.40	6	6
	Winter	3.75	3.00	2.70	2.40	2.25	1.50	2.10	7	5
1874-'78‡..	Summer.....	4.65	3.90	3.60	3.30	3.15	2.25	3.00	6	6
	Winter	4.35	3.60	3.30	3.00	2.85	1.95	2.70	7	5
1879-'85 ..	Summer.....	4.65	3.90	3.60	3.30	3.15	2.25	3.00	6	7
	Winter.....	4.35	3.60	3.30	3.00	2.85	1.95	2.70	7	5
	Spring..... Fall	4.50	3.75	3.45	3.15	3.00	2.10	2.85	6	6
1886.....	March to Nov .	4.65	3.90	3.60	3.30	3.15	2.25	3.00	6	6
1886 '87 ..	Nov. to March.	4.35	3.60	3.30	3.00	2.85	1.95	2.70	7	5

*Inclusive of interruptions for breakfast, dinner and supper, which amount in summer to two hours all told. At other seasons of the year the interruptions are shorter.

†Up to the close of the year 1868 tools were supplied to the workmen by the authorities. Since 1868 the workmen have furnished their own tools.

‡Since 1874 record books were introduced for the workmen, and an organization for their care in case of sickness went into operation.

The above shows an advance in wages of about one hundred per cent. *These wages were paid in gold.* Other statistics show the same condition in other countries. The argument is conclusive that gold has not only *not appreciated* when compared with labor, *but it has depreciated.* As gold can be procured for less labor it is no *hardship* for a debtor who borrowed gold years ago to pay the debt *now* in gold.

REMARKS

— ON —

CURRENCY FORM "D."

By Edw. G. Hewitt

So called Bi-Metalism, involving a fixed ratio of value, appears to be unscientific and of doubtful practicability.

The plan of joint-metalism proposed, is based on a theoretical alloy as a single standard. There are practical objections to an actual alloy. This proposed plan starts from a gold standard of value with say 60% gold and 40% gold value in silver. Ultimately, it is expected to settle on a fixed weight of gold and a fixed weight of silver as a standard without regard to the ratio of value between gold and silver, thus departing from the gold standard. Gold would then be quoted on the market in the new currency standard, as would also silver, copper, iron and other merchandise.

If the silver part of the note is started at the ratio of 1 to 32, and the market ratio soon becomes 1 to 33, the note has then left the gold standard.

The currency to be paper, silver token coins, and minor coins, only.

Small notes to be drawn convertible into $100. currency notes when they are presented in amounts of $100.

Eagles will merely be Eagles and not $10.

A glass jar 2½ inches in diameter and 2 inches high can contain $25. honest money on this plan—the gold consisting of an eagle and a half eagle, and the silver of requisite weight which is now about 520 Grammes of standard silver.

The reason why 90 Grammes, (or 105, which is another multiple of 15), of gold is suggested, is that a new Eagle contains a fraction (8/10ths of 1%) more than 15 Grammes of pure gold. The government receives worn gold coin at its face value provided it is not more than ½ of 1% short weight.

Table A shows 55+ for gold in 1895—compare this with 83 for gold and silver in 1850, a time when there was a dearth of both gold and silver, and when prices were at a low ebb (see Table B). Assuming that 1/6 of the silver (55) = 9 was subsidiary, we have 83—9=74. Is it prudent to try to make 55+ take the place of 74 without expecting a further shrinkage of prices?

Though gold should reach 74 in say twenty years (or in a less time because of a still larger production), there are other questions to be taken in consideration.

I am aware that confidence is an important factor—it must however have something adequate to inspire and maintain it. Without an adequate stock, and a plan that can be trusted, scarcely any amount of gold will suffice.

There is evidence that even with the present large product of gold, the demand exceeds the supply.

More light would be thrown on the subject by separating the Table of the World into a Table for the Asiatic World and a Table for the European World. I have not data for this.

It appears that after 1851 the East absorbed nearly five times the silver yearly they had taken prior to 1850 —from 1850 to 1870, the East took the whole product of the World. Then the large production of Silver commenced, without any greater demand from the East, and without use for much of the increased supply.

It may be of interest to note that the commercial value of Gold and Silver per capita in 1895, *measured in Gold*, was but little more (86+ to 83) than it was in 1850.

Is not this subject worthy of thoughtful investigation, in view of the disposition to concentrate all measurement of values and all money power, on *one* merchandise—Gold?

The subject is far from being exhausted, but brevity is more apt to secure attention.

It is to be hoped that study of these Tables will correct existing erroneous impressions, and make clear some facts that have been obscure.

Copies of enclosed Tables may be had on application to

EDWARD G. HEWITT,
48 Beekman St.,
New York City.

November, 1896.

Table A

RELATIVE STOCKS

OF

GOLD AND SILVER

Per Capita **1810-1895.**

Table A

RELATIVE STOCKS

OF

GOLD AND SILVER

Per Capita **1810-1895.**

Relative Values of Gold and Silver per Capita in the World,

(Plate, &c., &c., included.)

YEAR.	GOLD.	SILVER ON BASIS OF 1 OZ. G. = 16 OZS. S.	TOTALS OF RELATIVE VALUES —OF— GOLD AND SILVER.
1810	**32**	**68**	**100**
1830	**28**	**60**	**88**
1850	**28**	**55**	**83**

| | | |

IS IT WISE FOR THE WHOLE WORLD TO GO ON A SINGLE GOLD STANDAND? CAN IT BE DONE WITHOUT A STILL FURTHER SHRINKAGE OF PRICES?

This contribution is designed to aid in the study of above questions, and to interest students in the further intelligent consideration of the subject. Note, that though the production of both Gold and Silver since 1890 has been very large, the World has not been flooded to the extent that many suppose. The activities and accumulation of wealth since 1870 have been more rapid than the increase in stock of Gold and Silver (see Table C).

The figures in Table for 1890 and 1895 are probably too large rather than too small. Calculations based on figures in Mulhall's great work, give much lower results for these years. The data, plan, etc., used in constructing this Table, are open for examination by those interested.

EDWARD G. HEWITT.

Brooklyn, N. Y., November, 1896.

Tables **B** *and* **C**

RELATIVE

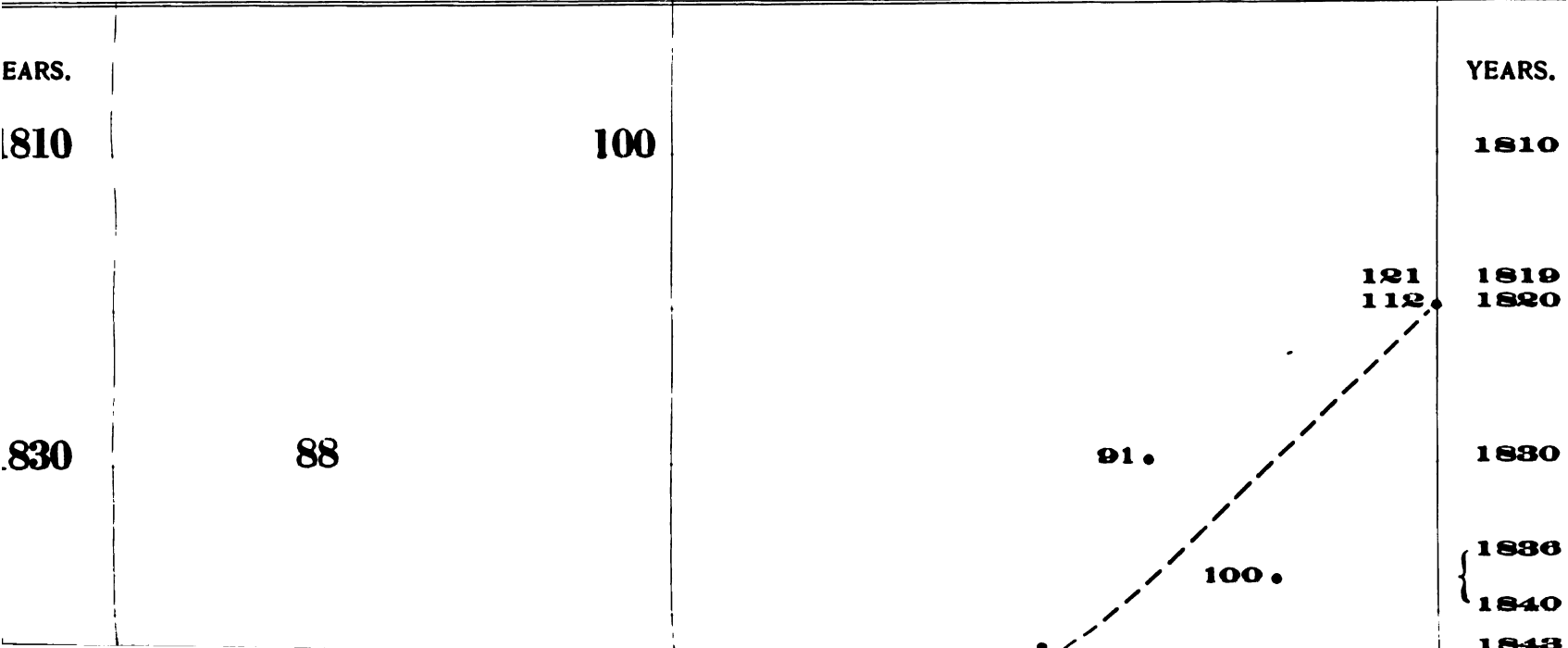
B { GOLD + SILVER PRICES.

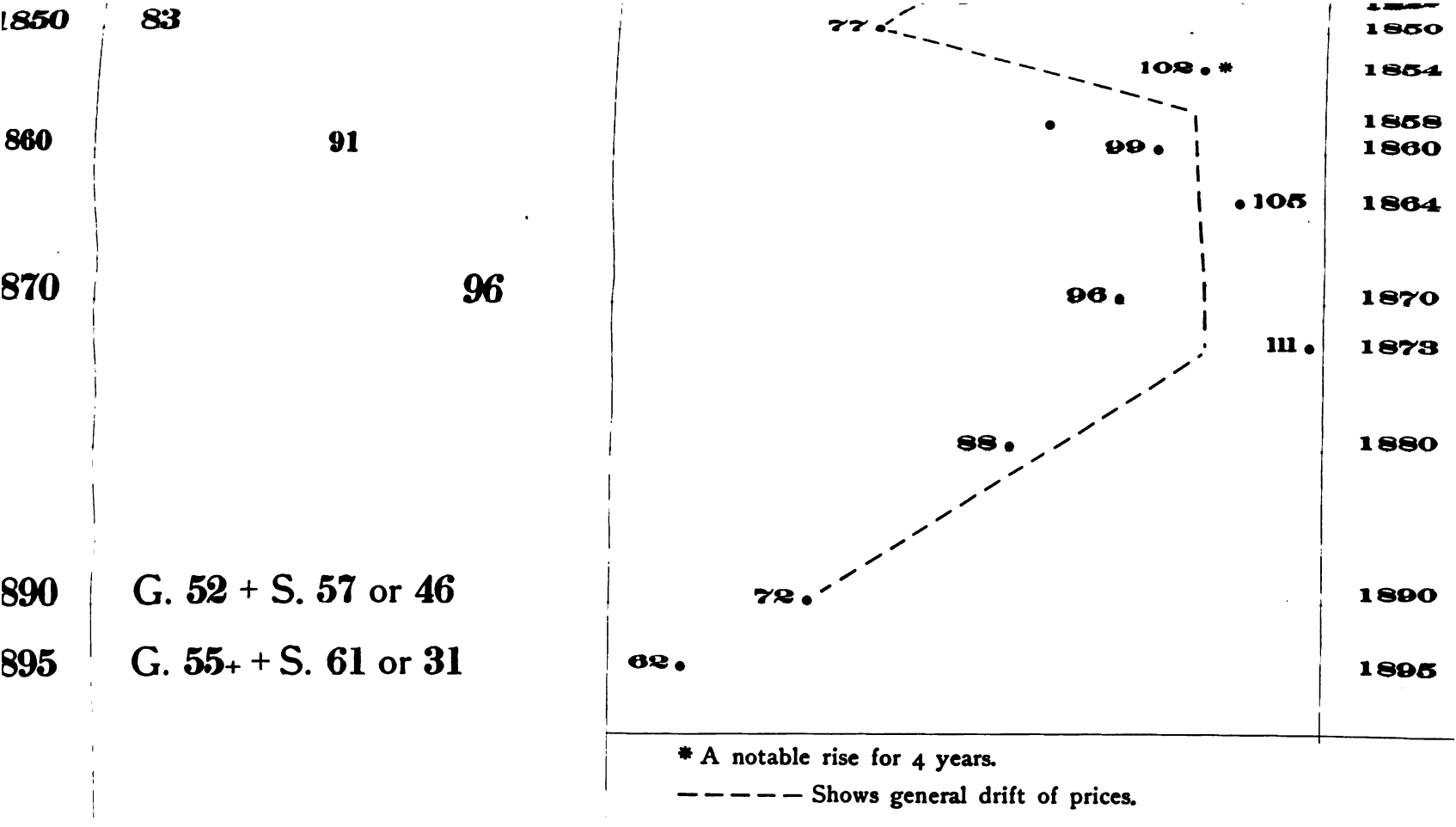
C { ACTIVITIES AND WEALTH.

B

Relative Values of Gold + Silver per Capita, from Table *A*.

Augustus Sauerbeck's F. S. S. Index Numbers of Prices.




1850
83
860
91
870
96
890
G. 52 + S. 57 or 46
895
G. 55+ + S. 61 or 31
77
102 *
99
105
96
111
88
72
62
1850
1854
1858
1860
1864
1870
1873
1880
1890
1895
* A notable rise for 4 years.
– – – – – Shows general drift of prices.

C

World, (unless otherwise stated) 1870 - 1890.

1870 is taken as 100. The figures below are for 1890.

	RELATIVE.	RELATIVE PER CAPITA.	
Pig Iron,.....Quantity,	218	180	
Coal,..... "	236	195	
Banking Power,.....	200	165	
Bank Clearings of {London, Boston, Philadelphia, Chicago,}.....	220	182	{Population of World (same as above) used in calculation.
Wealth,.....{United Kingdom, France, United States,}.....	173	143	

I am indebted to Mulhall's Dictionary of Statistics for much of the data on which above is based.

EDWARD G. HEWITT.

Brooklyn, N. Y., November, 1896.

—D—

ONE HUNDRED CURRENCY DOLLARS

United States of America will pay to the bearer on demand,

90 Grammes Pure Gold,

and

1000 " " Silver.

While an additional amount (as provided on back of this note) is paid, the United States has option of redeeming this note with 10 Eagles.

As long as the commercial ratio of Silver to Gold is more than 16 54/100 to 1, the United States will also pay 920 Grammes pure Silver, or a less number of Grammes, as announced by Secretary of Treasury from time to time.

Whenever the Secretary finds that the market value of the Gold and Silver called for by this note, in accordance with his last announcement, is more than 10 Eagles, he will make a new annoucement, fixing a less number of Grammes Silver to be paid, but no fractions of Grammes permitted. The number of Grammes, as announced, to be such that the Gold and Silver which the note will call for, will not be worth more than 10 Eagles, but may be worth a fraction of a Gramme of Silver less. After the number of Grammes of Silver is lowered, it is not to be raised subsequently.

PART OF ... Mail. ... 19...

REPORT

OF

MONETARY COMMISSION

TO

EXECUTIVE COMMITTEE

OF

THE INDIANAPOLIS MONETARY CONVENTION

OF THE

BOARDS OF TRADE, CHAMBERS OF COMMERCE, COMMERCIAL CLUBS,

AND OTHER SIMILAR

Commercial Bodies of the United States,

RECOMMENDING

A Complete Currency System.

1897.

THE

MONETARY COMMISSION

OF THE

INDIANAPOLIS CONVENTION.

GEORGE F. EDMUNDS, VERMONT,
Chairman.

GEORGE E. LEIGHTON, MISSOURI,
Vice-Chairman.

T. G. BUSH, ALABAMA.

W. B. DEAN, MINNESOTA.

CHARLES S. FAIRCHILD, NEW YORK.

STUYVESANT FISH, NEW YORK.

J. W. FRIES, NORTH CAROLINA.

LOUIS A. GARNETT, CALIFORNIA.

J. LAURENCE LAUGHLIN, ILLINOIS.

C. STUART PATTERSON, PENNSYLVANIA.

ROBERT S. TAYLOR, INDIANA.

To the Executive Committee of the
Indianapolis Monetary Convention:

The Commission appointed by you under the resolutions adopted by the Indianapolis Monetary Convention on 15th January, 1897, with a request "to make a thorough investigation of the monetary affairs and needs of the country in all relations and aspects, and to make proper suggestions as to the evils found to exist and the remedies therefor," respectfully reports that the members thereof met at Washington on the 22d day of September, 1897, and organized by the election of George F. Edmunds, as Chairman, and George E. Leighton, as Vice-Chairman.

The resolutions adopted by the Indianapolis Monetary Convention declare "that it has become absolutely necessary that a consistent, straightforward and deliberately-planned monetary system shall be inaugurated, the fundamental basis of which should be: first, that the present gold standard should be maintained; second, that steps should be taken to insure the ultimate retirement of all classes of United States notes by a gradual and steady process, and so as to avoid injurious contraction of the currency or disturbance of the business interests of the country, and that until such retirements provision should be made for a separation of the revenue and note-issue departments of the Treasury; third, that a banking system be provided which should furnish credit facilities to every portion of the country and a safe and elastic circulation, and especially with a view of securing such a distribution of the loanable capital of the country as will tend to equalize the rates of interest in all parts thereof."

We have accepted those principles as the basis of our action, not only because they are the instructions of the body of citizens by whom we have been appointed, but also because they meet the approval of our judgment.

We have also sought and received the counsel of many of our fellow citizens in all parts of the country. Their communications, while differing in some respects, have, upon the more important points, presented a concurrence of opinion which has been an invaluable aid in the formation of our conclusions.

We submit, for the reasons hereinafter stated, a plan of currency reform, in the hope that it will, if enacted into law, accomplish, so far as possible, these results:

1. To remove, at once and forever, all doubt as to what the standard of value in the United States is, and is to be.

2. To establish the credit of the United States at the highest point among the nations of the world.

3. To eliminate from our currency system those features which reason and experience show to be elements of weakness and danger.

4. To provide a paper currency convertible into gold and

equal to it in value at all times and places, in which, with a volume adequate to the general and usual needs of business, there shall be combined a quality of growth and elasticity, through which it will adjust itself automatically and promptly to all variations of demand, whether sudden or gradual; and which shall distribute itself throughout the country as the wants of different sections may require.

5. To so utilize the existing silver dollars as to maintain their parity with gold without imposing undue burdens on the Treasury.

6. To avoid any injurious contraction of the currency.

7. To avoid the issue of interest-bearing bonds, except in case of unlooked-for emergency; but to confer the power to issue bonds when necessary for the preservation of the credit of the government.

8. To accomplish these ends by a plan which would lead from our present confused and uncertain situation by gradual and progressive steps, without shock or violent change, to a monetary system which will be thoroughly safe and good, and capable of growth to any extent that the country may require.

We can not, within the limits of this preliminary report, go at length into the reasons which have led us to all the conclusions here expressed. A statement of those which relate to the more important points must suffice. Later a fuller and final report will be presented.

THE FACTS AS TO THE CURRENCY.

The people of the United States have ten different forms of currency: gold coins, silver dollars, subsidiary silver coins, minor coins, gold certificates, silver certificates, United States notes, currency certificates, Treasury notes of 1890, and national bank notes. The respective qualities of each, the amounts outstanding, the amounts in the Treasury, the amounts in circulation, and the respective denominations of the paper currency, were on 1st November, 1897, as follows:

1. GOLD COINS of the denominations of $20, $10, $5, and $2.50, weighing 25.8 grains to the dollar and .900 fine. They are a "legal tender in all payments at their nominal value when not below the standard weight and limit of tolerence provided by law for the single piece, and, when reduced in weight below such standard and tolerance, a legal tender at valuation in proportion to their actual weight"; receivable for all public dues, and exchangeable for gold certificates. Gold bullion is admitted to free coinage. The Treasury estimates that the stock of gold in the country is $729,661,110, of which $153,573,148 in addition to $36,814,109 held against outstanding gold certificates are held by the Treasury, and $195,895,107 are held by the national banks.

2. STANDARD SILVER DOLLARS, each containing 412.5 grains of

standard silver .900 fine, coined for government account, a "legal tender at their nominal value for all debts and dues, public and private, except where otherwise expressly stipulated in the contract"; receivable for all governmental dues, and exchangeable for silver certificates.

From 1793 to 1873, the Mint coined silver dollars to the amount of $8,031,238. From 1874 to 1878, none were coined. The act of 28th February, 1878, required not less than two millions nor more than four millions dollars' worth of bullion to be purchased monthly and coined into standard silver dollars.

The act of 7th August, 1882, directs the Secretary of the Treasury "to transport, free of charge, silver coins when requested to do so, provided that an equal amount in coin or currency shall have been deposited in the Treasury by the applicant."

The act passed on 19th February, 1887, which became a law, without President Hayes' approval, on 3d March, 1887, directed that "trade dollars" received at the Treasury should be coined into standard dollars. The act of 14th July, 1890, required four million five hundred thousand ounces of fine silver bullion to be purchased monthly and Treasury notes to be issued in payment therefor. The act of 1st November, 1893, repealed the purchasing clause of the act of 14th July, 1890.

Under the act of 28th February, 1878, the government purchased 291,272,018 ounces of silver at a cost of $308,279,260. Under the act of 14th July, 1890, the government purchased 168,674,682 ounces at an average price per fine ounce of $0.9244, costing $155,931,002. The government coined to the 1st of November, 1897, $452,713,792, of which $392,715,014 are in the Treasury, and $60,196,778 are in circulation. The free transportation of the silver dollar has cost $1,064,106. The government now holds 115,361,079.54 ounces of silver bullion, which cost $104,853,851.55, and which, at the price of silver on 3d November, 1897, are worth $65,900,016.67. As against the 392,517,014 silver dollars now in the Treasury there are outstanding silver certificates to the amount of $372,838,919, leaving $19,678,095 in the Treasury uncovered by certificates.

As the silver bullion now in the Treasury and purchased under the act of 1890 cost $103,957,026.25, and there are outstanding Treasury notes of 1890 to the amount of $109,313,280, silver dollars to the amount of $5,356,254 must be held as against these Treasury notes of 1890, and this amount deducted from the amount of silver dollars uncovered by silver certificates [$19,678,095] leaves as the amount of silver dollars uncovered by either silver certificates or Treasury notes of 1890, and subject to disposal by the Treasury, $14,321,841. The act of 14th July, 1890, declared it be "the established policy of the United States to maintain the two metals on a parity with each other upon the present legal ratio, or such ratio as may be provided by law." The act of 1st November, 1893, declared it "to be the policy of

the United States to continue the use of both gold and silver as standard money, and to coin both gold and silver into money of equal intrinsic and exchangeable value, such equality to be secured through international agreement, or by such safeguards of legislation as will insure the maintenance of the parity in value of the coins of the two metals, and the equal power of every dollar at all times in the markets and in the payment of debts."

3. SUBSIDIARY SILVER, coined for government account in denominations of 50, 25, and 10 cents, .900 fine, containing 385.8 grains to the dollar; "a legal tender in all sums not exceeding $10 in full payment of all dues, public and private"; receivable for governmental dues to $10; and exchangeable for lawful money at the office of the Treasurer or any Assistant Treasurer of the United States in sums of $20 or any multiple thereof. The general stock of subsidiary silver amounts to $75,414,007, of which $11,981,078 are in the Treasury, and $63,432,929 are in circulation.

4. MINOR COINS, coined on government account in denominations of 5 cents and 1 cent; a "legal tender at their nominal value for any amount not exceeding 25 cents in any one payment"; receivable to the amount of 25 cents for all governmental dues; and redeemable in lawful money at the office of the Treasurer and the several Assistant Treasurers and depositories of the United States when presented in sums of not less than $20.

5. GOLD CERTIFICATES, issued under the acts of March 3, 1863, and June 12, 1882, for gold coin deposited in the Treasury, in denominations of $10,000, $5,000, $1,000, $500, $100, $50, and $20; not a legal tender; "receivable for customs, taxes and all public dues," and redeemable in gold at the Treasury or any sub-treasury.

Certificates to the amount of $38,348,169 are outstanding, of which $1,534,060 are in the Treasury, and $36,814,109 are in circulation.

6. SILVER CERTIFICATES, issued against standard silver dollars deposited, in denominations of $1,000, $500, $100, $50, $20, $5, $2 and $1; not a legal tender; receivable for customs, taxes, and all public dues; exchangeable for standard silver dollars or smaller coin; and redeemable in standard silver dollars. There are outstanding silver certificates to the amount of $384,170,504, of which $11,331,585 are in the Treasury and $372,838,919 are in circulation.

7. TREASURY NOTES, issued under the act of July 14, 1890, in payment for silver bullion; a "legal tender for all debts public and private, except where otherwise expressly stipulated in the contract"; receivable for customs, taxes, and all public dues and "redeemable on demand in coin" at the office of the Treasurer or any Assistant Treasurer of the United States. There have been issued $155,931,002, of which $46,617,722 have been

redeemed in silver and canceled; $7,553,325 are in the Treasury, and $101,759,955 are in circulation.

8. UNITED STATES NOTES, issued under the acts of February 25, 1862, July 2, 1862, and March 3, 1863, in denominations of $1, $2, $5, $10, $20, $50, $100, $500, $1,000, $5,000, and $10,000; a "legal tender in payment of all debts, public and private, within the United States, except for duties on imports and interest on the public debt"; redeemed when presented since 1st January, 1879, in gold coin at the sub-treasuries in New York and San Francisco, and reissued. The highest amount of these notes outstanding at any time was on January 3, 1864, when it reached $449,338,902. By the Public Credit act of March 18, 1869, "The United States solemnly pledges its faith to make provision at the earliest practicable period for the redemption of the United States notes in coin." The resumption act of January 14, 1875, authorized the use of surplus revenues and the issue of bonds for their redemption. The act of May 31, 1878, prohibited their further cancellation or retirement, and directed the reissue of such as might be received or redeemed by the Treasury. The amount outstanding has therefore since remained at $346,681,016, of which $87,684,018 are in the Treasury, $48,625,000 are held against outstanding currency certificates, and $258,996,998 are in circulation.

The aggregate amount outstanding of United States notes, Treasury notes of 1890, and silver dollars is $908,708,088, of which $61,274,184 are now in the Treasury, but liable to reissue, and $847,433,904 are in circulation.

As against this large amount of that which is a credit currency, aside from the value of the silver bullion and dollars in the Treasury, the Treasury now holds $153,573,147 in gold coin and bullion, after deducting the amount of the gold certificates.

9. CURRENCY CERTIFICATES, issued under the act of June 8, 1872, in denominations of $10,000, upon deposit of United States notes, payable to order, and not a legal tender, nor receivable in exchange for anything other than legal-tender notes, $48,625,000 are outstanding, of which $340,000 are in the Treasury, and $48,285,000 are in circulation.

10. NATIONAL BANK NOTES, issued by the national banks of the United States in accordance with the act of June 3, 1864, to the extent of 90 per cent. of the par of government bonds deposited by such banks with the Treasury; not a legal tender; receivable at par "in all parts of the United States in payment of taxes, excises, public lands and all other dues to the United States except duties on imports; and also for all salaries and other debts and demands owing by the United States to individuals, corporations within the United States, except interest on the public debt and in redemption of the national currency"; receivable also by every national banking association for any debt or liability to it and redeemable at the Treasury.

The national bank notes outstanding are $230,132,275, of which $4,998,012 are in the Treasury, and $225,134,263 are in circulation.

The national banks were organized under the act of 25th February, 1863, and its supplements. They were authorized to issue a circulation based upon bonds, in order that there might thereby be created a demand for the bonds of the United States.

On 2nd July, 1866, there were 1,634 banks; on 26th December, 1873, 1,976; on 2nd October, 1890, 3,540; on 9th December, 1892, 3,773, and on 5th October, 1897, 3,610. The maximum capital was $689,698,017 on 9th December, 1892. The maximum circulation was on 26th December, 1873, $341,320,256, and the minimum circulation on 2nd October, 1890, $122,928,084. Up to 1892, the tendency was towards increase of capital. Since then the tendency has been in the direction of a decreasing capitalization. From 1873 to 1890, there was a marked decrease in circulation, with occasional fluctuations; but since 1890 there has been some increase of circulation, with no prospect of any material increase under the existing system.

On 5th October, 1897, there were 3,610 banks, with an outstanding note issue of $230,132,275 [of which $4,998,012 were held in the Treasury], with a capital stock of $631,488,095, with an aggregate capital, surplus and undivided profits of $966,240,095, with deposits of $1,869,491,310, and with investments in discounted paper [rediscounts deducted] of $2,043,803,392, in United States bonds of $277,235,920, in other stocks and securities of $208,831,563, and in lawful money of $388,882,631, of which $195,895,107 are in gold coin. The five per cent. redemption fund held by the Treasury now amounts to $10,021,689. From the organization of the system, in 1863, to 30th June, 1897, the national banks have paid in taxes to the United States $150,207,339.44; and the United States has also made a profit of $2,826,466 from that amount paid by the banks to redeem circulation which has not been presented.

THE DEFECTS OF THE SYSTEM.

The defects of the existing system are:

First. The vast amount of government credit currency without a certain and adequate provision for its redemption, and the consequent diminution of public confidence in the continued maintenance of the gold standard.

Second. The continuance in circulation of government promises to pay, which, when made a legal tender, constitute a forced loan, which are secured only by such resources as the exercise of the taxing power can render available, and which are payable only at the will of the debtor.

Third. The failure to provide the means for a gradual and sufficient increase of the volume of the currency to meet the needs of an increasing population and an enlarging commerce.

Fourth. The want of a natural outflow and inflow of the currency when and as, and only when and as, the agricultural, manufacturing and commercial interests of the country require, at a given time, either a greater or a less quantity of currency in circulation.

Fifth. The failure to secure such a distribution of the loanable capital of the country as will tend to equalize the rates of interest in all its parts.

Sixth. The confusion of the fiscal functions of the Treasury as the receiver of the public revenue and the disburser thereof under congressional appropriations with its issue and redemption functions in exchanging and redeeming the currency.

Seventh. The circulation of different forms of government currency having different qualities as to legal tender and receivability for government dues.

Eighth. The circulation of silver dollars of full legal-tender quality whose nominal value as coins so largely exceeds their value as bullion, that they offer tempting inducements to successful counterfeiting.

Ninth. The circulation of a national bank currency based upon government bonds, presupposing a continuing issue of those bonds, diminishing the loanable funds of the banks, and, by reason of their bond basis, incapable of increasing in volume with a temporary demand for more currency, and of decreasing with the cessation of that demand.

THE STANDARD.

The most serious evil affecting our present monetary system is the threatened degradation of its standard. The story is familiar, but it will be useful to recall it briefly in this connection. The close of the civil war found the people of the United States in the possession of a depreciated legal-tender paper currency, with its inevitable accompaniment of inflated prices. To return from such a condition to one of sound money and normal prices is always a painful process, and when the government began that process, under Secretary McCulloch, in 1866, there was an outcry against it, and it was suspended. From a remonstrance against the payment of the demand obligations of the Treasury at *that* time the movement grew to an opposition to the payment of them at *any* time, and finally to a demand for the issue of more of them, and that, not in the form of promises to pay, but of fiat paper dollars. The number of persons who were carried away by these delusions was very great. The political struggle which ensued was prolonged and intense, and

the victory which the defenders of sound money achieved in the passage of the resumption law of 1875 was a close one.

That victory ought to have settled all disturbing questions in relation to the monetary policy of the United States, and would have done so, so far as can now be seen, if it had not been for the fall in the value of silver, which began while the contest was going on. From 1792 to 1873 the legal standard of value in the United States was the double one of gold and silver at prescribed ratios. By the Coinage act of 1873 the silver dollar, which was then worth more than the gold dollar, and which no one could foresee would ever be worth less, and of which very few were in existence, was dropped from the coinage, leaving gold as the only full legal-tender coined money.

Soon after the passage of this law, the value of silver began to decline. The friends of cheap money saw their opportunity and lost no time in improving it. The clamor for the restoration of the sixteen-to-one silver dollar to free coinage began. This was a far more plausible, and therefore more dangerous, movement than the fiat paper money scheme. Silver had a real value. At the beginning of the agitation that value was not greatly less than sixteen of silver to one of gold in weight. It was claimed that its admission to free coinage would increase its value to the full measure of that ratio. Patriotic sentiment was invoked in its favor. It was said to be the money of the fathers and the Constitution. To this was added the appeal to class prejudice. Gold was said to be the money of the rich; silver of the poor. Gold was said to be increasing in value, and so depressing all prices, and increasing the burden of all debts to the unjust advantage of all creditors. The advocates of free silver professed to be the champions of the farmer, the mechanic and the laborer against the aggressions of the capitalist, the banker and the corporation. Such appeals come to men in debt, out of employment and downcast in spirits with great seductive force. Evidence enough of that fact is on record in the election returns of 1896.

The pertinence of this retrospect is the proof which it affords of the fact that so large a portion of the people of the United States have no conception of the nature or importance of a money standard. In such a country as ours the legal monetary standard is whatever a majority, or a plurality, it may be, of the voters say it shall be. It is, therefore, of the utmost importance that the standard shall not only be distinctly declared in the law, but clearly fixed in the minds of the people as the first and indispensable element of a sound monetary system. All history is evidence that the people who suffer most from a degradation of the standard are not the rich and powerful, but the poor and helpless. Compared with this danger all existing evils of mere kind or quantity of our present money are relatively only inconveniences. The first need of the situation is to fortify the standard.

There are some considerations as to the standard which ought to commend themselves to the judgment of the country. There must be some standard of value. The standard must have a market value as a commodity independently of any governmental fiat and of all legal-tender laws; it must be durable; it must be homogeneous; it must have a maximum of value proportioned to its bulk; it must have, as a commodity, as stable a market value as possible, and in order to secure the stability of that market value, the relation between its supply and demand must be as constant as possible. Gold alone fulfills these conditions. The civilized world has, therefore, determined that the standard shall be gold. No government, however powerful, can in fact reverse that determination, or, without injury to the interests of all its people, attempt to establish any other standard of value.

There is a clear distinction between the functions of money as a standard of value and as a medium of exchange. While that money which is the standard of value will always serve also as a medium of exchange, yet other forms of currency of inferior market value can in no sense be a satisfactory standard, and can be a suitable medium of exchange only when their convertibility at par into the standard money is assured. Any possible currency is, therefore, of one of two kinds. The first kind is that which has been adopted as the standard of value. The second kind is that which is, without reference to its market value as a commodity, receivable at par, because convertible at par into the standard money. To-day gold is the only currency of the first kind. United States notes, national bank notes, silver dollars, subsidiary silver and minor coins, are currency of the second kind. The face value of the silver dollars, the subsidiary silver and the minor coins more or less largely exceeds their bullion value, and they differ from the note issues only in the fact that the material of which they are made has some market value as bullion. Under modern conditions of business, purchases, sales, loans, the discharge of debts, and even payments of wages are effected in great part by drafts, checks or transfers of credits. While the work which the money, which is the standard, actually performs in the exchanges of the country is relatively small, yet every one of those exchanges is based on that standard. If all the money of the country is convertible at par into gold, there may then be whatever, and as much, of the representative forms of currency as the convenience of the people may require.

On the other hand, if the standard of value be lowered, there necessarily follows a loss of public confidence, a lessened use of credit and of credit forms of currency, and a consequent diminution of the effectiveness of the currency.

The gold standard, therefore, does not mean gold monometallism, and it necessarily results, not in contraction, but in the greatest possible expansion of the currency within the bounds of safety.

As gold derives no value from any legal-tender law, nor any value from coinage at the mint beyond "the ascertainment that its weight and purity are what the law requires," and the certifying by the government's stamp that it possesses those qualities, it is, and it ought to continue to be, admitted to free coinage. On the other hand, silver, nickel and copper should be coined only upon government account, into coins of limited legal-tender quality; should be issued from the mint only in exchange for gold at par; and should be re-exchangeable at the Treasury in convenient multiples for gold coin at par. Under this system there could be no arbitrary contraction or expansion of the coin currency, nor any tampering with the standard of value, and the people would then carry to their credit in the ledger of the Treasury Department the profits upon the coinage of silver, nickel and copper.

Many of our fellow citizens have hoped in all sincerity that the problem of the standard would be solved by international bimetallism. An earnest effort has been made to realize that hope, but it must now be abandoned. The only alternatives, therefore, are the continued maintenance of the existing gold standard, or the adoption of the silver standard. If the latter alternative be taken, the obligations of the United States, of the States, of all municipalities, of all private corporations, and of all individuals, the receipts of income from every source, the proceeds of policies of insurance, the deposits in banks and savings funds, and the wages of labor, will then be payable in a debased and depreciated currency; and individual and corporate bankruptcy, and, worst of all, national dishonor, will follow. If the former alternative be taken, and the necessary means be adopted to secure the stability of the gold standard, the credit of the country will be established; the national debt can be refunded at lower interest rates; the surplus capital of the world will come here to find profitable investment; and our country will enjoy the prosperity that follows a currency system based upon a stable standard of value.

The means necessary to establish and preserve popular confidence in the continued maintenance of the gold standard are:

1. An explicit legislative definition of the gold standard, and a pledge that it will be maintained.
2. A requirement that all obligations, public and private, unless otherwise stipulated in the contract, shall be payable in conformity with that standard.
3. The adoption of a plan for the gradual retirement of the outstanding note issues of the government.

As the gold deposited for certificates can not be used by the government, and as the issue of gold certificates is of no advantage to the government or to the people, there does not seem to be any reason for their continued issue.

THE SILVER CURRENCY.

The silver certificates, being the expressed representatives, dollar for dollar, of silver dollars deposited, ought to continue to be exchangeable only for silver dollars.

The face value of the subsidiary silver coins more largely exceeds their bullion value than is wise even in the case of token coins. They might be called in and recoined; but the expense and inconvenience of that operation are such as to render its postponement advisable.

As the owners of a large stock of silver bullion, silver dollars, and subsidiary silver, the people of the United States are directly interested in the continued use of silver as currency, provided that the silver can continue to be maintained at par with gold.

The silver dollar is by reason of its size and weight an inconvenient coin to carry about the person, or to use in change. Most people, therefore, do not desire to use silver dollars as currency, if they can have, as representatives of the coin dollars, notes in denominations of $1, $2 and $5. Even with the inducement of free transportation from the Treasury, it has never been possible to force into circulation at any one time an amount of silver dollars exceeding $67,000,000, and there are now outstanding only $60,196,778, of which at least $10,000,000 are held by the national and State banks. On the other hand, there are in circulation $354,355,031 of notes of the denominations of $1, $2 and $5, of which $154,965,473 are silver certificates and $199,389,558 are United States notes, Treasury notes of 1890, and national bank notes. Of the total amount of silver certificates outstanding, $154,965,473 are, as before stated, in denominations of $1, $2 and $5, and $229,205,031 are in larger denominations. If, therefore, the United States notes, Treasury notes of 1890, and national bank notes of the denominations of $1, $2 and $5 be retired, their places can be taken by a further issue of silver certificates to the amount of $199,389,558 in denominations of $1, $2 and $5, and an equivalent amount of silver certificates of larger denominations be retired, leaving of the $229,205,031 now outstanding in larger denominations $29,815,473 to be redeemed in silver dollars when presented for redemption. If, also, the silver dollars now in circulation and amounting to $60,196,778 should be deposited in the Treasury, the balance of $29,815,473 of silver certificates in denominations exceeding $5 could be replaced by an issue of silver certificates in denominations of $1, $2 and $5, and there might, without any expansion of the present outstanding circulation, be a further issue of silver certificates in denominations of $1, $2 and $5, amounting to $30,381,305, based upon the silver dollars so deposited. The place of the retired United States notes, Treasury notes of 1890 and national bank notes of small denominations would be taken by an issue of notes of

large denominations of the same kinds, so long as the United States notes and Treasury notes of 1890 are unredeemed.

The effect of this plan will be that the currency of the country of all denominations below $10 will be silver coin, and silver certificates based upon silver dollars held in the Treasury, supplemented by gold coins of the denominations of $2.50 and $5.

The government has received the full face value for all the silver dollars which have been put in circulation either in kind or by means of representative certificates. The silver coins differ from the note issues only in the fact that the material of which they are made has some market value as bullion. They are, nevertheless, as justly obligations of the government and as properly exchangeable at par for gold as the United States notes. A gold reserve must, therefore, be provided for such exchange; but as the retirement of the United States notes, Treasury notes of 1890, and national bank notes of denominations less than $10 will leave the silver dollar, the silver certificates in denominations of $1, $2 and $5, the subsidiary silver, the minor coins, and the gold coins of the denominations of $2.50 and $5 as the only currency for small transactions, it is probable that the trade of the country will keep the silver and its representatives in circulation, and prevent the coming in of any considerable quantity of that currency. It is also to be observed that when popular confidence shall have been restored as to the maintenance of the gold standard and the security of our currency system, there will be no general desire to exchange silver dollars or silver certificates for gold, for the silver currency will then be, beyond question, as good as gold.

The Treasury has an asset in its silver bullion not held against outstanding certificates, which may be utilized by selling it from time to time, as the German government has done with its surplus silver. Of course, such sales should be carefully made in such quantities as not to unduly depress the market for silver bullion. It is, therefore, suggested that authority be given to the Secretary of the Treasury to make such sales in his discretion.

It may be well to consider whether the sum of $452,713,792 of silver dollar pieces, with seignorage of over 50 per cent., which remain as the evidence of a serious danger to the existing standard, is not too large to be permanently retained in our currency; and if this should prove to be the case, whether a sufficient number of these silver dollars should not be ultimately although not immediately, withdrawn and sold as bullion.

It is an essential part of a sound system of finance that the government should raise by taxation a revenue adequate to its necessary expenditures. But as the revenues are sometimes deficient, it is advisable that power be given to the Treasury to sell short-term bonds to supply such deficiency. Under existing legislation only long-term bonds can be sold; and if the government comes into possession of a surplus, such bonds can not

be retired save by purchasing them at a premium. On the other hand, short-term bonds can, under a securely established currency system, be negotiated at low interest rates; can be, if necessary, extended at maturity, and can be retired by purchase in advance of maturity without a heavy loss in payment of premium. For similar reasons it is suggested that long-term bonds should contain a reserved option to the government of retirement.

It is to the interest of the government and of the people that all the people should have an equal opportunity of investing their savings in the obligations of the government when issued. As the mass of the people have not the necessary facilities for the safe custody of bonds, it is suggested that a system be adopted of inscription on the books of the Treasury, instead of bonds, similar to that which has long prevailed in the case of the English consols and the French rentes. Under this system it will be possible to place government loans by a real popular subscription.

THE DEMAND OBLIGATIONS OF THE GOVERNMENT.

It is a part of the plan submitted that the demand obligations of the government shall be put in course of retirement by a process which shall be gradual in its operation as respects the current money and business of the country, but which will lead ultimately to the substitution of other forms of money in their place. The demand obligations, properly so called, consist of the United States notes or "greenbacks," amounting to $346,681,016, and the Treasury notes of 1890, amounting to $109,313,280. While the former are not in terms payable in gold, and the latter are by law payable in gold, or silver, at the discretion of the Secretary of the Treasury, it is obviously necessary, in order to keep good the pledge of the government to maintain the parity of the two metals as coined, to pay all its notes in gold when gold is demanded by the holder. So that, in a practical sense, the note obligations of the government payable in gold on demand must be reckoned at the sum of the greenbacks and the coin notes, that is, $455,994,296.

The measures recommended in relation to these obligations may be briefly summarized as follows:

1. The separation of the note-issuing and redeeming operations of the Treasury from its ordinary fiscal operations by the creation of a Division of Issue and Redemption, and the transfer to it of the gold reserve and other resources held against obligations; the government notes to be paid in gold coin on demand through that division.

2. The reserve to be maintained from revenue when adequate, and by sale of bonds when necessary; the proceeds of such sales to be used for that specific purpose, and no other.

3. Notes paid to be canceled as paid, up to the amount of $50,000,000; the cancellation thereafter for five years not to exceed the increase of bank notes. After five years the notes paid to be retired at a rate not exceeding 20 per cent. per annum of the amount then outstanding; at the end of ten years the legal-tender quality of the notes then outstanding to cease.

4. No note, once paid, to be reissued otherwise than in exchange for gold, except that, in case of an excessive accumulation of redeemed and uncanceled notes in the Division of Issue and Redemption, the Secretary of the Treasury may use them in the purchase of United States bonds for the benefit of the Division of Issue and Redemption; such bonds to be held in that division and sold for the benefit of the redemption fund when directed by the Secretary of the Treasury.

At the present time the government has no fund for the payment of its demand obligations except the general balance in the Treasury applicable alike to the payment of all dues. Our revenues are more or less uncertain in amount; our expenditures are large and growing, and liable to vary with changes in the spirit of the times and the disposition of Congress and the people. It is, therefore, uncertain whether we shall have at any particular time an adequate fund for the redemption of the demand obligations without recourse to borrowing. Borrowing is an ineffectual resource, because, under the law as it stands, the notes which have been paid must be returned to circulation, and, so, may be used over and over to draw out the borrowed gold. The uncertainty of this situation is increased by the fact that the issue of bonds rests with the executive department, and whether it will be resorted to or not will depend upon the personal views and discretion of the officials at the head of that department. More serious still is the fact that it is in the power of the executive department, as the law now stands, to decide absolutely whether the government notes shall be paid in gold or in silver. An end ought to be put to this anomalous and hazardous situation by making specific and adequate provision for the payment of the demand obligations, and directing in the law that such payment shall be in gold at the demand of the holder.

It is regarded as certain that if this were done there would be comparatively little presentation of notes at the Treasury for redemption, in the absence of serious public alarm, and that the best possible security against the recurrence of such alarm would be attained. The provision authorizing the purchase of bonds during the period mentioned is recommended, with the belief that it would enable the Secretary of the Treasury to prevent any injurious contraction. The bonds purchased with the notes re-

turned to circulation would furnish the means with which to redeem them when presented again.

A proposal to retire the government notes may be received at first with disfavor by some persons, but it must be supposed that, upon due reflection, preferences which are to a large extent merely sentimental will yield to arguments resting on solid grounds of safety and advantage to the government and the people. All good citizens must desire that the credit of the government shall rest on a basis so secure that no wind that can blow will ever shake it; that the standard by which all obligations and values are measured shall be the most perfect expression of truth and honesty and unchangeableness which is possible of attainment; and that all the money in circulation shall be up to that standard in its value, and shall, in respect to its form and quantity and distribution, serve every requisite of commercial and personal use as equally and completely as is in the nature of things possible. If it is necessary in order to accomplish these results to relieve the government from the function of supplying money in the form of its own notes, it is only necessary to make that fact clear to the people to secure their approval of the measure. Not to believe this would be to despair of the capacity of the people for wise and successful government.

A government paper currency educates the people who use it in false notions concerning money. Such a currency, circulating year after year without redemption, appears to those who do not look at it critically to derive its value from the "government stamp." It ceases to be regarded as a promise to pay money, and is thought to possess the virtue of money in and of itself. It is so easy to create it that in any emergency the call for more is perfectly natural. There can be no doubt that the aberration of judgment on the money question by so many of our people in recent years has been largely due to the miseducating influences of the greenback currency. The young and middle-aged men of to-day have grown up in a vitiated financial atmosphere.

Such a currency also lacks the important quality of automatic adaptability to the varying demands of business. A paper dollar is a useful form of currency so long as there is legitimate use for it. When there is no legitimate use for it, it becomes a superfluous and injurious thing—a temptation to speculation, extravagance and unwise business ventures. A paper currency created by legislation is fixed in volume by the law of its creation, and can neither contract nor expand in response to those varying conditions which are bound to occur in the affairs of men.

More important than this is the fact that such a currency puts upon the government the burden of maintaining the credit of all the financial institutions of the country. The government notes are as good as gold only so long as the government redeems them in gold. If it should fail in that, all bank notes,

bank deposits, insurance losses, and debts and dues of every kind not specifically payable in gold would be payable in the depreciated paper or in silver. Every passing incident, therefore, which raises an apprehension, however slight, of a possibility, however remote, that the government may be unable or unwilling to maintain gold payment of its obligations sends a nervous tremor through the whole business system of the country. A sovereign government can not be compelled to pay its debts; it pays them only when it wills so to do; and there is in the public mind more or less doubt as to the continuance of the will of our government to pay its demand obligations in money satisfactory to the holders thereof. In these days of large invested capital and small profits such a condition is a serious drag on business enterprise.

The existence of a large outstanding debt payable on demand is also a source of weakness to the government in its international relations. Modern warfare is so expensive that it is almost as much a matter of money as of men. A nation suddenly confronted by the alternative of war or dishonor would be greatly handicapped by a large demand debt which it must provide for at once. Great additional force is given to this consideration by the fact that it would be scarcely possible for this nation to engage in war in its present situation—counting as part of the situation the imperfect development of clear conceptions on the subject of money in the minds of the people—without a suspension of specie payments and a resort to further issues of government notes. There is no occasion to criticise those patriotic men who believed that the issue of greenbacks was necessary to save the Union. But the world has advanced in financial knowledge and skill since then. There is no doubt that if our government were relieved of its existing demand obligations, and our currency system put in working order upon a gold basis, it would be entirely possible for us to go through a war without suspension of specie payment, or any derangement of our monetary system. If war should come, the value to the country of the ability to thus avoid the indirect losses following from depreciated currency, inflated prices and financial demoralization would be so great that the burden of paying off now our demand obligations would be as nothing in comparison.

While the silver dollars are not, by the terms of the law, exchangeable for gold coin, their current value is sustained by the promise of the government to maintain their parity with gold. So that we have a total volume of paper and silver in circulation amounting to $908,728,087, all resting for its value on the credit of the government, except in so far as the bullion in the silver dollars has value. That credit is maintainable only as a whole. The paper of the United States could not be dishonored and its silver upheld. It is necessary, therefore, that the government shall keep a large fund in gold, and continue to do so so long

as the credit currency is outstanding. Such a fund in the hands of the government is defenseless against attack. In countries where the government has no demand debt outstanding, and the gold reserve is held by banks, the nation's stock of gold is capable of some degree of protection through the rate of interest charged for loans. But our government has no such resource. Its great gold reserve is an open mine free to all who bring its notes. The exigencies of war or commerce are liable to create sudden and great demands for gold. And as the entire monetary system of the country hangs upon that one reserve, the situation is one of uncertainty and hazard against which no insurance is possible, and which is bound to continue while the government demand obligations are extant in large volume. It would go far to relieve the perennial strain of this situation and strengthen our financial position at home and among nations to transfer this burden to the banks and other moneyed institutions.

As against these serious disadvantages there is no advantage which can possibly be claimed for paper money in the form of government notes over any other form of paper money equally good—that is, equally current in all parts of the country and equally certain of redemption in specie on demand—except the saving of interest on so much of the public debt as is represented by the notes. Our national bank notes have served the uses of the people as well as greenbacks. In all ordinary business transactions no one cares which he receives or pays out. The supposed economy of the greenbacks is more apparent than real; indeed, when we consider all the facts they are an extremely costly form of money. To keep them good requires the maintenance of a large gold reserve in the Treasury, which offsets the saving of interest to the extent of one-fourth or more. When conditions arise which threaten to deplete that reserve and compel a resort to extraordinary measures to protect it, no limitation of cost can be observed, and it is impossible to know what sacrifice may become necessary.

In order to create the gold reserve required for the resumption of specie payments in 1879, United States bonds to the amount of $95,500,000 were sold, and most of which are still outstanding in a refunded form. During the years 1894, 1895 and 1896 bonds to the amount of $262,315,400 were sold. Throughout those years there was a constant drain of gold to redeem United States notes. By the law of 1878 it was provided that United States notes "shall not be retired, canceled or destroyed, but they shall be reissued and paid out again and kept in circulation." There being a deficit in the ordinary revenue, these notes continued to go out again and again in payment of ordinary expenses. Whether the deficit would have required the sale of bonds if there had been no want of public

confidence in the payment of the notes, and they had not continued to be presented for redemption is a point upon which there may be a difference of opinion. Not to enter upon that question closely, it is clear that with interest to pay on three hundred and fifty-seven million dollars of indebtedness incurred chiefly, if not wholly, in consequence of the existence of the government notes, and one hundred millions of reserve lying idle in the Treasury, the saving in interest by the United States notes is a small gain compared with the unending burden of providing for their redemption.

In considering the cost of these operations, it is necessary to take into account, also, the expense of engraving, printing, book-keeping, and other incidents. From all of which it appears that instead of saving money to the people, the United States notes have been and are now costing them a large sum annually. This cost is liable to be increased by the further issue of bonds for the protection of these notes in emergencies —not now present, nor immediately threatening, but always possible.

Between 1st January, 1879, and 1st November, 1897, the Treasury paid United States notes in gold to the amount of $507,470,149, being $160,789,133 in excess of $346,681,016, the entire amount outstanding at the resumption of specie payments; which paid and repaid and yet undiminished amount still remains outstanding to be paid again, and, unless some change be made in the existing law, again and again.

Between 14th July, 1890, and 1st November, 1897, Treasury notes of 1890, issued for the purchase of silver bullion, have been redeemed in gold coin and reissued to the amount of $90,680,879.

Moreover, we are carrying a burden put upon us by the doubt and uncertainty which the presence of this large demand debt of the government in the form of current money produces, which no man can estimate. Any one of a number of circumstances might cause a suspension of gold payment of its notes by the government. A war, a failure of revenue, a commercial revulsion, an election, a weak President—any one of these unfavorable conditions, exciting alarm and then panic, might cause the Treasury to be depleted of its gold and its notes to be dishonored. The injury which all business suffers from this condition of the currency is none the less real because it is not distinctly perceived. The evil may go long unnoticed, like friction in machinery or malaria in the air; but it has its effect nevertheless. When it comes to an acute manifestation of the evil, such as we have experienced within the last five years, the loss occasioned is beyond computation. Many concurring causes contributed to the business depression which the people of the United States have suffered within that period; but it can not be doubted that the fact that the entire paper currency of the country consisted of or rested upon notes of the govern-

ment, and that there was an uncertainty as to the redemption of those notes, was the chief cause of that great disaster. All the government notes outstanding, and all the interest they have saved since they were issued, would pay only a small fraction of the loss which the American people have suffered within that time.

THE BANKING SYSTEM.

Under the present system a bank may issue circulation not exceeding 90 per cent. of its paid-up capital, and also not exceeding 90 per cent. of the par value of the bonds deposited. Each bank is required to deposit with the Treasury a redemption fund of 5 per cent. of its outstanding circulation; and the notes are secured by a first lien on all the assets of the bank, including the liability of the shareholders. While in some cases shareholders of and depositors in national banks have lost by unskillful or unfaithful management, yet the bank circulation has been so well secured that no holder of a national bank note has ever had occasion to inquire what bank issued the note, or has ever lost any part of the amount of the note. But the relative increase in the number of the banks and decrease in the amount of the issue of the circulation shows that the system should be so amended that, while the notes issued thereunder shall be as adequately secured as under the present system, there will yet be an increased issue of bank notes, and an outflow and inflow of those notes as the business of the country may require.

A note circulation, issued under the present system, unquestionably satisfies the condition of security, but is open to grave objections.

1. It presupposes a continuing issue of government bonds, when it ought to be the national policy to steadily reduce and ultimately extinguish the debt of the United States.
2. The investment in bonds diminishes the funds of the bank available for loans to its customers.
3. Such a currency does not increase in volume with a temporary demand for more currency, nor decrease with the cessation of the demand.

All the conditions can be met by—

1. A national system with improved regulations as to examination, supervision, etc.
2. The issues to be based upon those readily convertible assets which represent the exchangeable wealth of the country in its natural products and manufactured goods.
3. A limitation of the amount of the issues to the unimpaired capital of the issuing bank.
4. A further security in a common guaranty fund.

5. The continuance of the present redemption fund and method of redemption, with the extension of the places of redemption under the approval of the Secretary of the Treasury.

6. A further security in the liability of the shareholders to the full amount of the par of their shares.

The chief difference of the proposed from the existing system of bank notes is that it gradually does away with the requirement that there shall be a deposit of bonds with the government as a condition for the issuance thereof. As now, the notes are to be a first lien upon all the resources of the banks, including the stockholders' liabilities. This change is necessary because of the scarcity of United States bonds; and the attempt to substitute other bonds would lead to many evils. The change is wise because it permits the issuance of notes in the way and at the time when, and for the purpose for which, they would be issued under natural conditions, if no law prevented. Such a system would more perfectly than any other give the country a circulating medium; it would readily and quickly adjust itself from season to season to meet the wants of the business of the country requiring bank notes for its convenient transaction. Under the present system, the problem presented to a bank, when its customers call for currency, is not the amount of its own assets, but its ability and desire to make an investment in something quite apart from its usual business as a bank, in order that it may be in a position to provide a man who wishes to move property or employ labor with the tools most convenient at the time for his purpose. Notes secured as herein provided can not fail to be safe, because, being based upon all the resources of all the banks issuing them, they are based upon the whole business of the country, and that business is the thing which gives life and value to all securities, government, municipal, railway, and individual obligations. Should all the resources of the banks ever so shrink in value as not to be ample security for the amount of notes that could be issued under this plan, then all other securities, even government bonds, would become valueless. The banks are bound together for the security of these notes to accomplish the same purpose that the deposit of bonds is intended to accomplish, namely, to guard against loss through the misfortune or bad management of single banks, and thus save the holder of a bank note the need of ascertaining the standing of any bank. The objection that is sometimes made that the larger banks in the great cities would not issue notes because of an apprehended liability for other banks, is shown by statistics to be groundless; 1893 was the year of largest bank failures; but had all the banks of the country then issued notes up to 80 per cent. of their capital, the amount of their assessment to make good the ascertained deficiencies of that year up to the time of the Comptroller's report of 1896 would have been only a fraction of 1 per cent. Had 80 per cent. of

the capital of all national banks been issued in notes, upon the proposed plan, since the beginning of the national banking system in 1863, the assessment upon the banks annually would have been an amount so insignificant that it need not be taken into account. Taking the country banks as a whole, it is found that on 5th October last they had $401,000,000 of the $631,000,000 of national bank capital. Should they issue notes up to 80 per cent. of that capital, they would have $321,000,000 of notes, and there would be $1,956,000,000 of resources against these notes, not counting stockholders' liability.

If these resources of the country banks are insufficient security for this amount of notes, they will be insufficient only because there would then be such a condition of business paralysis that government, municipal, and railway bonds would be valueless, and also few, if any, banks in the reserve cities would remain solvent. The occurrence of this disaster is so improbable that its consideration may be dismissed.

In some quarters fear is expressed that there would be undue expansion under this plan. There is no danger of this. The system of redemption, not only at the banks but at the Treasury in Washington and at the sub-treasuries, would strongly guard against that. The expansion over that which could be effected were no notes issued at all will be found, upon investigation, to be small. Dangerous expansion does not take the form of the issue of bank notes, but of the extension of credits. Very few borrowers take their loans in the form of bank notes. The bank note is only one form in which he to whom credit is given will use that credit; he can use it equally well for most purposes if the loan is placed to the credit of his account by the bank making the loan to him, or by some other bank or by a private person.

The plan increases stockholders' liability, so that each stockholder is absolutely liable to assessment up to the par of his stock, and not ratably and equally with every other stockholder as now.

The existing tax of 1 per cent. per annum on circulation is repealed. In its place taxation of capital, surplus, and undivided profits is provided. The issue of circulating notes is only one form in which a bank expresses its demand liabilities. The other form, deposits, is, under the development of modern banking operations, of vastly greater importance, and the one which, in cities and highly organized commercial communities, is most used. In October, 1897, the country banks issued more than 72 per cent. of all notes issued. The reserve banks, except those of the central reserve cities, New York, Chicago and St. Louis, issued more than 18 per cent., New York less than 8 per cent., and Chicago and St. Louis together about 1½ per cent. Surplus and undivided profits and capital show the profits and property of banks, and these are certainly more legitimate objects of tax-

ation than the mere instruments which banks may be called upon by their customers to issue to serve chiefly the convenience of those customers. This tax makes as equitable an apportionment of the expenses of the system as can be devised.

The plan provides that these notes shall be received by banks and by government in payment of debts and dues under the same conditions as now. This provision is made, not because it materially adds to the security of the notes, but that they may be more convenient to the people and in aid of their speedy redemption.

This method of passing from the present to the new system is proposed in order that the change may be gradual and that the country may become accustomed to it in this way, and also to guard against the possibility of undue sale of United States bonds. Doubtless, portions of the country lack adequate banking facilities; and to meet this a diminution of the minimum capital required for banks in places of small population, and authority for the establishment of branch banks, are advised.

PLAN OF CURRENCY REFORM.

I. Metallic Currency and Demand Obligations.

1. The existing gold standard shall be maintained; and to this end the standard unit of value shall continue, as now, to consist of 25.8 grains of gold, nine-tenths fine, or 23.22 grains of pure gold, as now represented by the one-tenth part of the eagle. All obligations for the payment of money shall be performed in conformity to the standard aforesaid; but this provision shall not be deemed to affect the present legal-tender quality of the silver coinage of the United States or of their paper currency having the quality of legal tender. All obligations of the United States for the payment of money now existing, or hereafter entered into, shall, unless otherwise expressly provided, be deemed, and held, to be payable in gold coin of the United States, as defined in the standard aforesaid.

2. There shall continue to be free coinage of gold into coins of the denominations, weight, fineness, and legal-tender quality prescribed by existing laws.

3. No silver dollars shall be hereafter coined.

4. Silver coins of denominations less than $1 shall be coined upon government account, of the denominations, weight, fineness, and legal tender quality prescribed by existing laws.

5. Minor coins shall continue to be coined upon government account, of the denominations, weight, fineness, and legal-tender quality prescribed by existing laws.

6. Subsidiary and minor coins shall be issued and exchanged as prescribed by existing laws, except as hereinafter otherwise provided.

7. There shall be created a separate division in the Treasury Department, to be known as the Division of Issue and Redemption, under the charge of an Assistant Treasurer of the United States, who shall be appointed by the President by and with the advice and consent of the Senate.

8. To this division shall be committed all functions of the Treasury Department pertaining to the issue and redemption of notes or certificates, and to the exchange of coins; and this division shall have the custody of the guaranty and redemption funds of the national banks, and shall conduct all the operations of redeeming national bank notes, as prescribed by law; and to this division shall be transferred all gold coin held against outstanding gold certificates, all United States notes held against outstanding currency certificates, all silver dollars held against outstanding silver certificates, and all silver dollars and silver bullion held against outstanding Treasury notes of 1890, and all subsidiary and minor coins needed for the issue and exchange of such coins, and the funds deposited with the Treasury for the liquidation of national bank notes. All accounts relating to the business of this division shall be kept entirely apart and distinct from those of the fiscal departments of the Treasury; and the accounts relating to the national banks shall be kept separate and apart from all other accounts.

9. A reserve shall be established in this division by the transfer to it by the Treasurer of the United States from the general funds of the Treasury of an amount of gold in coin, and bullion, equal to 25 per cent. of the aggregate amount of both the United States notes and Treasury notes issued under the act of July 14, 1890, outstanding, and a further sum in gold equal to 5 per cent. of the aggregate amount of the coinage of silver dollars. This reserve shall be held as a common fund, and used solely for the redemption of such notes and in exchange for such notes, and for silver and subsidiary and minor coins.

10. It shall be the duty of the Secretary of the Treasury to maintain the gold reserve in the Division of Issue and Redemption at such sum as shall secure the certain and immediate redemption of all notes and silver dollars presented, and the preservation of public confidence; and for this purpose he shall from time to time, as needed, transfer from the general fund of the Treasury to the Division of Issue and Redemption any surplus revenue not otherwise appropriated; and in addition thereto he shall be authorized to issue and sell, whenever it is in his judgment necessary for that purpose, bonds of the United States bearing interest not exceeding 3 per cent., running twenty years, but redeemable in gold coin, at the option of the United States, after one year; and the proceeds of all such sales shall be paid into the Division of Issue and Redemption for the purposes aforesaid.

11. To provide for any temporary deficiency which may at

any time exist in the fiscal department of the Treasury of the United States, the Secretary of the Treasury shall be authorized, at his discretion, to issue certificates of indebtedness of the United States, payable in from one to five years after their date, to the bearer, of the denominations of $50 or multiples thereof, with interest at a rate not to exceed three per centum per annum, and to sell and dispose of the same for lawful money at the Treasury Department, and at the sub-treasuries and designated depositories of the United States, and at such postoffices as he may select. And such certificates shall have the like privileges and exemptions provided in the act to authorize the refunding of the national debt, approved July 14, 1870.

12. Whenever money is to be borrowed on the credit of the United States, the Secretary of the Treasury shall be authorized, instead of issuing the usual forms of engraved bonds, upon receiving lawful money of the United States in sums of not less than fifty dollars ($50) in any single payment, to cause a record of all such payments to be made in books to be kept for that purpose in Washington, and thereafter, from time to time, to pay to those so registered on such books interest not exceeding 3 per cent. per annum in gold coin on the amount with which they shall severally stand credited on such books in the same manner and at the same dates as if they were the holders and owners of registered bonds of the United States; and he shall also pay to those so registered the principal sum originally deposited, in gold coin, at the date of maturity of such inscribed loans. Suitable arrangements shall be made at each and every money-order postoffice in the United States for receiving such payments into the Treasury on like terms, as well as for the transfer, on proper identification, of any inscription on the books in Washington, or of any part thereof not less than fifty dollars ($50). No interest shall accrue or be paid on inscriptions which shall have been reduced below fifty dollars ($50). No charge of any kind shall be made by any department or officer of the government for any service in connection with the receipt or transmission of the lawful money, nor in the transfer of inscriptions on the books at Washington.

13. The Division of Issue and Redemption shall on demand at Washington, and at such sub-treasuries of the United States as the Secretary of the Treasury may from time to time designate—

(*a*) Pay out gold coin for gold certificates.

(*b*) Pay out gold coin in redemption of United States notes or Treasury notes of 1890.

(*c*) Pay out silver dollars for silver certificates of any denomination.

(*d*) Issue silver certificates of denominations of $1, $2 and $5, in exchange for silver dollars and for silver certificates in denominations above $5.

(*e*) Pay out gold coin in exchange for silver dollars.

(*f*) Pay out silver dollars in exchange for gold coin, United States notes or Treasury notes.

(*g*) Pay out United States notes or Treasury notes, not subject to immediate cancellation, in exchange for gold coin.

(*h*) Pay out and redeem subsidiary and minor coins as provided by existing laws.

(*i*) Pay out United States notes in exchange for currency certificates.

14. United States notes or Treasury notes once redeemed shall not be paid out again except for gold coin unless there shall be an accumulation of such notes in the Division of Issue and Redemption which can not then be canceled under the provisions of the act, in which case the Secretary of the Treasury shall have authority, if in his judgment that course is necessary for the public welfare, to invest the same or any portion thereof in bonds of the United States for the benefit of the redemption fund, such bonds to be held in the Division of Issue and Redemption, subject to sale at the discretion of the Secretary of the Treasury for the benefit of the Division of Issue and Redemption, and not for any other purpose.

15. The Secretary of the Treasury shall be authorized to sell from time to time, in his discretion, any silver bullion in the Division of Issue and Redemption; and the proceeds in gold of such sales shall be placed to the account of the gold reserve in the Division of Issue and Redemption.

16. The gold certificates and the currency certificates shall, whenever presented and paid or received in the Treasury, be retired and not reissued.

17. No United States note or Treasury note of 1890 of a denomination less than $10 shall hereafter be issued; and silver certificates shall hereafter be issued or paid out only in denominations of $1, $2 and $5 against silver dollars held by or deposited in the Treasury.

18. The Assistant Treasurer in charge of the Division of Issue and Redemption shall, on demand, pay in gold coin all United States notes and Treasury notes presented for payment, and as paid cancel the same up to the amount of $50,000,000. After that amount shall have been paid and canceled, he shall then from time to time cancel such further amounts of notes so paid as shall equal, but not exceed, the increase of national bank notes issued subsequent to the taking effect of the proposed act.

19. If at the end of five years next after the taking effect of the proposed act any United States notes or Treasury notes shall be outstanding, a sum not exceeding one fifth of such outstanding amount shall be retired and canceled each year thereafter; and at the end of ten years after the passage of the proposed act the United States notes and Treasury notes then outstanding

shall cease to be legal tender for all debts public and private, except for dues to the United States.

20. The Secretary of the Treasury may, in his discretion, transfer from surplus revenue in the general Treasury to the Division of Issue and Redemption any United States notes or Treasury notes which on such transfer could then lawfully be canceled under the provisions of the proposed act if they had been redeemed on presentation; and when so transferred the same shall be canceled. The Secretary of the Treasury, in his discretion, whenever there may be United States notes or Treasury notes in the general Treasury which are not available as surplus revenue, and which upon transfer to the Division of Issue and Redemption could then lawfully be canceled under the provisions of the act, may exchange such notes with the Division of Issue and Redemption for gold coin, and such notes shall thereupon be canceled.

21. All vested rights of property or contract, and all penalties incurred before the taking effect of the proposed act or any part of it, shall not be affected by the passage thereof; and all provisions of law inconsistent with any of the provisions of the proposed act should be repealed.

II. Banking System.

22. The total issues of any national bank shall not exceed the amount of its paid-up and unimpaired capital, exclusive of so much thereof as is invested in real estate. All such notes shall be of uniform design and quality, and shall be made a first lien upon all the assets of the issuing bank, including the personal liability of its stockholders. No such notes shall be of less denomination than $10.

23. Up to an amount equal to 25 per cent. of the capital stock of the bank (the whole of its capital being unimpaired), the notes issued by it shall not exceed the value of United States bonds, to be fixed as hereinafter provided, deposited with the Treasurer of the United States. The additional notes authorized may be issued without further deposit of bonds.

Beginning five years after the passage of the proposed act, the amount of bonds required to be deposited before issuing notes in excess thereof shall be reduced each year by one-fifth of the 25 per cent. of capital herein provided for; and thereafter any bank may at any time withdraw any bonds deposited in excess of the requirements hereof.

24. Every national bank shall pay a tax at the rate of 2 per cent. per annum, payable monthly, upon the amount of its notes outstanding in excess of 60 per cent. and not in excess of 80 per cent. of its capital, and a tax at the rate of 6 per cent. per annum, payable monthly, upon the amount of its notes outstanding in excess of 80 per cent. of its capital.

25. Any bank may deposit any lawful money with the Treasurer of the United States for the retirement of any of its notes; and every such deposit shall be treated as a reduction of its outstanding notes to that extent; and the tax above provided for shall cease as of the first of the following month on an equal amount of its notes.

26. The Secretary of the Treasury shall annually fix the value of each series of bonds of the United States bearing a rate of interest exceeding 3 per cent. as equalized upon the rate of interest of 3 per cent. per annum, and such valuation as fixed by the Secretary on this basis shall be the valuation at which the bonds will be receivable upon deposit. Bonds payable at the option of the government shall be receivable at 95 per cent. of their then market value as determined by the Secretary of the Treasury. If any bonds shall be issued hereafter payable at a date named and bearing interest at 3 per cent., or less, they shall be receivable at par.

27. The Comptroller of the Currency shall from time to time, as called for, issue to any bank the capital of which is full paid and unimpaired any of the notes herein elsewhere provided for, on the payment to the Treasurer of the United States, in gold coin, of 5 per cent. of the amount of notes thus called for, which payments shall go into the common guaranty fund, for the prompt payment of the notes of any defaulted national bank. Upon the failure of any bank to redeem its notes, they shall be paid from the said guaranty fund, and forthwith proceedings shall be taken to collect from the assets of the bank and from the stockholders thereof, if necessary, a sum sufficient to repay to said guaranty fund the amount thereof that shall have been used to redeem said notes; and also such further sum as shall be adequate to the redemption of all the unpaid notes of said bank outstanding.

28. Persons who, having been stockholders of the bank, have transferred their shares, or any of them, to others, or registered the transfer thereof within sixty days before the commencement of the suspension of payment by the bank, shall be liable to all calls on the shares held or subscribed for by them, as if they held such shares at the time of suspension of payment, saving their recourse against those by whom such shares were then actually held. So long as any obligation of the bank shall remain unsatisfied, the liability of each stockholder shall extend to, but not exceed in the whole, an amount equal to the par of his stock.

29. If the said guaranty fund of 5 per cent. of all the notes outstanding shall become impaired, by reason of payments made to redeem said notes as herein provided, the Comptroller of the Currency shall make an assessment upon all the banks in proportion to their notes then outstanding sufficient to make said fund equal to 5 per cent. of said outstanding notes.

Any bank may deposit any lawful money with the Treasurer of the United States for the retirement of any of its notes; or

return its own notes for cancellation; whereupon the Comptroller shall direct the repayment to such bank of whatever sum may be the unimpaired portion of said bank's contribution to the guaranty fund on account of said notes.

Any portion of the guaranty fund may be invested in United States bonds in the discretion of the Secretary of the Treasury.

The taxes on circulation, provided for in Paragraph 24, as well as the interest accruing from investment of any part of the guaranty fund, shall be held in the Division of Issue and Redemption in gold coin or in United States bonds in the discretion of the Secretary of the Treasury, and shall be a fund supplementary and in addition to the guaranty fund, to be used only in case said guaranty fund shall ever become insufficient to redeem any bank notes issued hereunder, and it shall not be taken into account in estimating the amount of assessments necessary to replenish said guaranty fund or in repayments to banks of their contributions to the guaranty fund.

30. The present system of national bank note redemption should be continued, with a constantly maintained redemption fund of 5 per cent. in gold coin, and with power conferred on the Comptroller of the Currency, with the approval of the Secretary of the Treasury, to establish additional redemption agencies at any or all of the sub-treasuries of the United States, as he may determine.

31. So much of the provisions of existing law as require each national bank to receive at par, in payment of debts to it, the notes of other national banks, and making such notes receivable at par in payment of all dues to the United States except duties on imports, shall be extended to cover notes issued under the proposed plan.

32. National banks shall hold reserves in lawful money against their deposits of not less than 25 per cent. and 15 per cent. for the respective classes as now provided by law, at least one-fourth of which reserve shall be in coin, and held in the vaults of the bank. Neither the 5 per cent. redemption fund, nor the 5 per cent. guaranty fund, shall be counted as part of the reserve required. No bank shall count or report any of its own notes as a part of its cash or cash assets on hand.

33. Permit the organization of national banks with a capital stock of $25,000, in places of four thousand population or less.

34. Provision should be made whereby branch banks may be established with the consent of the Comptroller of the Currency and approval of the Secretary of the Treasury.

35. For the purpose of meeting the expenses of the Treasury in connection with the national bank system, a tax of one-eighth of 1 per cent. per annum upon its franchise, as measured by the amount of its capital, surplus and undivided profits, shall be imposed upon each bank.

36. So amend existing laws as to provide—

(*a*) For more frequent and thorough examinations of banks.

(*b*) For fixed salaries for bank examiners.

(*c*) To provide for rotation of examiners.

(*d*) For public reports, regular or special, at the call of the Comptroller of the Currency.

(*e*) To make it penal for any bank to loan money, or grant any gratuity, to an examiner of that bank, and penal for such examiner to receive it.

37. Any national banking association heretofore organized may at any time within one year from the passage of the proposed act, and with the approval of the Comptroller of the Currency, be granted, as herein provided, all the rights, and be subject to all the liabilities, of national banking associations organized hereunder: *Provided*, That such action on the part of such associations shall be authorized by the consent in writing of shareholders owning not less than two-thirds of the capital stock of the association.

38. Any national banking association now organized which shall not, within one year after the passage of the proposed act, become a national banking association under the provisions hereinbefore stated, and which shall not place in the hands of the Treasurer of the United States the sums hereinbefore provided, for the redemption and guarantee of its circulating notes, or which shall fail to comply with any other provision of the proposed act, shall be dissolved; but such dissolution shall not take away or impair any remedy against such corporation, its stockholders or officers, for any liability or penalty which shall have been previously incurred.

39. Any bank or banking association incorporated by special law of any State, or organized under the general laws of any State, and having a paid-up and unimpaired capital sufficient to entitle it to become a national banking association under the provisions of the proposed act, may, by the consent in writing of the shareholders owning not less than two-thirds of the capital stock of such bank or banking association, and with the approval of the Comptroller of the Currency, become a national bank under this system, under its former name or by any name approved by the Comptroller. The directors thereof may continue to be the directors of the association so organized until others are elected or appointed in accordance with the provisions of the law. When the Comptroller of the Currency has given to such bank or banking association a certificate that the provisions of this act have been complied with, such bank or banking association, and all its stockholders, officers and employes, shall have the same powers and privileges, and shall be subject to the same duties, liabilities and regulations, in all respects, as shall have been prescribed for associations originally organized as national banking associations under the proposed act.

This plan is based in its main features upon principles, which are conceived to be fundamental and unchangeable, and which never have been, and never can be, departed from without disaster. Its methods and details are of course capable of considerable variation consistently with these principles. The methods suggested have been reached after very careful inquiry and study, and it is thought that they will prove to be practical, and adequate to the realization of a safe and steady system of finance and currency, in which all the people of our country, of whatever calling or political opinion, are equally and most deeply interested.

All of which is respectfully submitted.

WASHINGTON,
December 17, 1897.

GEORGE F. EDMUNDS,
Chairman.
GEORGE E. LEIGHTON,
Vice-Chairman.
T. G. BUSH.
W. B. DEAN.
CHARLES S. FAIRCHILD.
STUYVESANT FISH.
J. W. FRIES.
C. STUART PATTERSON.
ROBERT S. TAYLOR.

I sign except as to provisions relating to metallic currency and certificates issued thereon.

LOUIS A. GARNETT.

The undersigned, while heartily agreeing in general to the above plan, dissents from the principle involved in Section 14, by which the Secretary of the Treasury is empowered to reissue United States notes in purchase of bonds. Believing that the increase of the circulation should not be left to the decision of government officials; that no official should be exposed to the pressure which would thereby be created; that the issue of gold in redemption of the notes would prevent contraction; and that it is inconsistent with the principles on which an elastic bank currency has been recommended, because notes should not be issued by the government in an emergency when bank issues have been above provided for exactly such an occasion.

J. LAURENCE LAUGHLIN.

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SILVER NOT A LOCAL ISSUE.

SPEECH

OF

HON. DARWIN R. JAMES.

OF NEW YORK.

In the House of Representatives,

March 20, 1886.

WASHINGTON, D. C.
R. O. POLKINHORN, PRINTER.
1886.

SILVER NOT A LOCAL ISSUE.

SPEECH

OF

Hon. Darwin R. James,

OF NEW YORK.

PLAIN WORDS FROM A PLAIN MAN FOR PLAIN PEOPLE.

The House having under consideration H. R. 5690, for the Free Coinage of Silver, &c., upon the adverse report of the majority of the Committee on Coinage, Weights and Measures, (presented by Mr. James for the Committee on February 16, 1886.)—

Mr. JAMES said: Mr. Speaker, before I enter upon the subject of debate I desire to say a few words in way of personal explanation.

I am a business man. I am not a lawyer nor a professor, neither has my life been closely interwoven with the interests of practical politics, but I have attended to the business of a merchant. But I do not deem it presumptuous that I regard my mandate from my constituents in Brooklyn to be a member of this body, and my mandate from the Speaker of this House to serve on the Committee on Coinage, Weights, and Measures as a warrant for taking the time of the House in setting forth my views on the subject now under consideration.

People are more wont to look to the lawyer, to the professor, and to the political leader for light on these questions than to plain business men. But unfortunately, Mr. Speaker, this habit of looking to the lawyers, the professors, and the recognized political leaders does not seem to have produced good results in this matter of the coinage of the silver dollar. We have tried it for eight years, and here we are now in a slough. How are we to get out of it? This is the question. The car of state is very nearly being ditched. It is not a question of making good time on the road, it is a question of getting the wheels out of the slough. It is a question of making salvage that is before the Committee on Coinage, Weights, and Measures and this House. What are we to do about it? This is as far as the country has advanced on the silver question. Things have gone on from bad to worse, and this is the outcome of the leadership of the lawyers, the professors, and the authorized leaders of politics.

These circumstances Mr. Speaker, have convinced me that I ought to take a hand in the debate. Without laying claim to anything particularly meritorious I may at least claim to be heard. I have all the

more reason for this from the fact that the monetary question is peculiarly a business question. On final analysis, the monetary question is a question of prices, a matter of buying and selling; and so it is, as I have said, peculiarly a business question.

Then, again, Mr. Speaker, I ask the attention of this House to what I have to say because the business men of the country are, after all, a very numerous and influential class. They need awakening; they need it in my district, they need it in your district. Gentlemen, I am afraid we shall find that they need it in all of our districts.

I wish to be entirely frank about this matter. I am afraid that the business men of the country have not been doing their duty to the country. They have been buying and selling and have let high politics alone, even when high politics affected them most seriously. In this they have failed in their duty to themselves as well as to the country.

I have no doubt that if the business men had had the power to deal with the silver question the team of State would not have been stalled in the mire as it is now, and it is largely their fault that it is so, for they knew what the end would be. They should have spoken out from one end of the country to the other; they should have insisted that their advice be followed. If I speak, therefore, of business men in my district, of business men in your district, business men in all of our districts needing to be awakened, I do it for the purpose of urging you, gentlemen of the House, to talk this matter over with them as you see them, and to elicit expressions of opinion from them upon this great and far-reaching subject. I think this comparison of views will do good.

I want to hear from the sovereign people on this question of money legislation. To handle this question wisely and to the best interests of all, we need the advice of the men of business in our constituencies. If my own voice could reach beyond this floor I would gladly see to it that the business men throughout the country should at least hear one loud call to join their forces for a righteous handling of this great question. If we could accomplish this, enlightenment and instruction would follow a discussion so general amid a people so sensible and so practical as ours. I believe we should be practically unanimous after hearing from them in voting a measure which would close the current chapters of the history of compulsory coinage. What that measure should be I am here to suggest.

I have given study to the facts which make the theories upon this issue, and have measured the measures proposed with the same spirit of determination to be right which applied to my own business while in India, where I handled the rupee, or in New York, where I sold the products of the East. The result may be summed up in these words: the so-called demonetization of silver has been from the start a great business blunder.

I do not wish to be misunderstood by either the extreme gold men on one side or the extreme silver men on the other, in my use of this term. I speak of the demonetization of silver. They may presumably think I mean the anti-silver law passed by Congress in 1873, and the revision of the statutes in which the silver dollar was spirited away. I do not. Perhaps they think I ought to mean it if I speak of demonetization. I do not think so. I say that I am right and that they are wrong, for it is more than a question of words, Mr. Speaker; it is a question of ideas.

In the first place, who demonetized silver? My friends here talk as if the United States had done it.

The so-called demonetization, which is in fact only an effort at demonetization (a partial outlawry of silver) is the culmination of a joint

undertaking. The chief quota of outlawry belongs to the nations that controlled most silver and gold. France and her allies of the bimetallic, free-coinage union, controlled nearly two-thirds of the metallic money of Europe.

With their alternative free coinage, coining all that came, whether gold or silver, at an express valuation by weight, they held the par steady for generations. England's anti-silver quota had been subscribed and paid so long that it had all been spent. Germany's quota to the fund was very large; in fact, the responsibility for the evil results which followed demonetization in Europe is chargeable to the action of Germany.

After the capture of Paris, in 1871, a series of anti-silver and pro-gold laws were enacted, followed in 1873 by direct acts of calling in silver coin to be sent to the melting pot, and thence to the bullion market. France saw that if she continued the coinage of silver she was simply "bulling" the market for German silver, and was paying out gold for a metal that would become a burden to her if Germany's action should be followed by other nations. She therefore stopped its coinage. The action of France was thought to be necessary, but it was very unfortunate. She felt that she could not afford (by keeping her mints open to silver) to enable Germany to transmute her stock of silver into gold, taking French gold for demonetized German silver. It was not agreeable to France to "bull" silver for Germany's benefit, and face the uncertainties of the monetary future with the added burden to carry off the rejected silver of Germany.

It was said in 1870 by a leading statesman in Europe, Feer-Herzog, that the anti-silver campaign is like a steeple-chase—those that demonetize first will win the prize, and those that come later will pay for all the demonetization that has preceded theirs. Each was, therefore, in a hurry to demonetize for fear the other would demonetize first; each afraid to keep up silver coinage because the other rejected it. The impetus given by Germany's attack was passed along the line, and one after the other of the mints of Europe was closed to silver. Now, when I say this was a business blunder I do not say that it was a blunder of each nation acting by itself and with the sole alternative of keeping up free coinage within its own borders for all the silver that might come, or, on the other, of closing its mints. If it had been a simple choice between these two courses there would seem to have been no way other than to stop.

As the case was presented to France in 1874 and to Holland in 1875 it was the only safe alternative to be pursued. There are occasions in one's business experience when the question arises, "Shall we sell or hold?" Our neighbors, like ourselves, are loaded with the same article; if we sell it is at a sacrifice; if we hold there is a loss; but if we combine and arrange we can all sell at a profit.

But suppose you can not arrange, or think you can not, and therefore do not try, what is the result? You force sales; the bottom is knocked out of the market, and down goes the price. It was a great blunder of the nations as a whole, and it was a blunder of each single nation in so far as that single nation could have stopped the ruinous course of all. No one nation could afford to have the others unload upon it. In point of fact there was neither sense or reason in any nation trying to unload. It was a blunder to try; each nation as it closed its mints to silver helped to depreciate the stock of silver coin it had on hand, helped to render the money-basis of its valuations insecure, and helped to re-enforce the momentum of Germany's attack on the stability of the existing valuations of property throughout the world.

The result was insecurity, uneasiness in the money markets, and a great check to business activity.

I am aware that there has been a widespread habit of ignoring these facts. It was fashionable, so to speak, at one time to shout for the single gold standard and for the demonetization of silver. Those who did the shouting do not much care at this time to be known. For several years they tried to conceal the harm they produced but they could not. The facts are against them. The business of Europe was done with both metals; by legislative enactment one is stricken down and becomes non-exportable except as bullion. Now, who will presume to maintain that a country like Holland can do business as easily and successfully with its twenty millions of gold, full weight and exportable, and eighty millions of non-exportable, because depreciated, token money, as with one hundred millions of full weight exportable money? To depreciate the scope of that eighty millions or, in other words, to strike it with lameness, was bad business. Yet Germany and France had forced Holland into this position, and so she stopped coining silver and took to coining gold, doing what she could to increase her stock of this metal.

The outlawry of silver in Europe reduced a thousand millions of silver to the condition of inexportable, non-international, depreciated money, in other words, to the condition of tokens which are a burden to the state and to the business community. Now, all this never would have occurred if there had not been anti-silver laws. Had it not been for these there would have been no depreciation of silver. Hence it is I say that the outlawry of silver was an immense business blunder and a great business loss for each nation affected by it. The story of the last ten years in Europe is a story of business depression unexampled in history, and the main cause of the depression lies where any business man can see it if he takes the trouble to look, namely, in the series of laws in the different states of Europe artificially contracting the metallic basis of valuations and making insecure a foundation which should have been solid.

Gentlemen, do you want evidence of these facts? I doubt if you do. The history of these ten years in each country is one of business crippled, of marking down of prices, and suffering in every direction. You know how it has been in our own country and can imagine how it has been in other countries. Take England as a sample for Europe and read Thorold Rogers and Robert Giffen in 1879 (Document of Conference of 1878). Read Mr. Goschen's address in Manchester in July, 1885, and Robert Giffen in Contemporary Review for June, 1885; also, recall the fact that a royal commission is to-day investigating the cause of the depression of trade. What it all means for Germany is plainly stated by Baron von Minbach in an address from which I shall quote later.

But permit me, Mr. Speaker, to bore a little deeper into the facts. Let us look at the state of affairs in Europe as a whole. We see the nations of Europe engaged in a sort of monetary war, each nation laying an embargo upon the silver coin of other nations and upon new silver from the mines. A state of affairs is thus produced which is expensive to their treasuries and injurious to the industries and the trade of each. What is the cause? Practically the start was made by Germany, and it was a monetary continuance of the invasion of France. The action of Germany forced the Latin Union to adopt the German embargo on silver; it forced Holland to do the same thing, and France's embargo forced Germany to give up her sales of silver in 1879. I desire to make this thought clear. This anti silver movement practically involves national hostilities, national pride.

But let us go one step further and ask how it came about that Germany forced Europe into this embargo.

Here we touch upon a vast question. Who can measure all the information and prejudice of the savants who sought to control national action? About the time of our war a "craze" seemed to take hold of the economists, and it became fashionable to be an anti-silver man, an anti bimetallist, a gold single-standard man.

This is the gist of the facts. You can read the story in the books of the conferences from 1867 to 1881. Now, we have heard repeatedly from the extreme silver men that this anti-silver movement has been and is a great conspiracy of the creditor class, of the bondholders of the civilized nations, and that they worked up this sentiment for selfish ends. Such is not the truth. The professors of political economy who directed the thought of a generation, were not what is called "the servile hirelings of bloated bondholders." These men thought they were reformers, and they meant well: but their foresight was incorrect. They made a mistake. The outcome of their work was an enormous business loss which they had not foreseen, and was consequently a great business blunder.

The end is not yet. We are only in the midst of this craze, which, as has been well said, was the outcome of scientific error, re-enforced by national pride, and uniting the chief nations of Europe in a joint attack upon silver. Now, how is this movement to be reversed? It is a great question; those who have carefully studied the reports of the two international conferences called by the United States can form an idea of the extent and intricacy of the subject. People talk of the lack of success of those conferences. They do not comprehend how vast a matter we were trying to handle; nor do they comprehend the innumerable difficulties in the way arising from national pride, blind selfishness, and a reluctance to being taught, which the commissioners had to meet.

Now, let me turn to the question, how has our coinage of the silver dollar operated upon Europe?

I affirm with certainty that it has operated injuriously to the success of the effort to restore bimetallic free coinage. There is one thing, Mr. Speaker, which we may take for granted: there is a good deal of human nature in Europe as well as in America—Europeans are men, and they are not devoid of sense. If you or I were European and lived in the midst of prejudice as general as that which induced the politicians of European nations to commit themselves to an anti-silver policy, and when those great bodies, which move so slowly, had already moved and taken a stand, I think we should consider it a very pleasant thing if a powerful and wealthy nation across the sea would take hold and help us out without asking any help in return.

The coinage of silver by the United States eased up the situation for the gold monometallists of Europe. The statesmen who committed themselves and their countries to monometallism found allies in the United States, and of this number not one more efficient than the gentleman from Missouri [Mr. BLAND]. Outside of what the coinage of silver has been doing all the time, it has been a constant promise for the future that they are to be "let out" more completely. I can not understand, Mr. Speaker, why the extreme silver men fail to see that they are really the cat's-paws of European monometallists. I do not use the word in any way offensively—but it is strong, in so far as they seem to be picking the chestnuts out of the fire. Perhaps there may be a tinge of blind self-interest in the ground they take, or, if that does not suit, let us suppose that they have found the silver question a much more momentous one than they have hitherto contemplated and do not

now care to face it in all its diverse bearings. Perhaps they have thought that silver is a "local issue," as a certain distinguished gentleman once remarked with reference to the tariff. If so, they were again mistaken.

It is more than a local issue, it is an international one, and it is because the silver men have failed to comprehend this fact that they have gone on in their blind, selfish advocacy of a financial policy which has operated as disastrously at home as it has abroad, and which threatens at this moment to strike down with paralysis the commercial and industrial interests of the country.

With these views and under these circumstances I do not hesitate to say that the coinage under the Bland act has been from the beginning and is now a colossal business blunder. The advocates of the measure proposed and expected it to restore the price of silver, but it has steadily declined as compared with gold from an average price of 52 9-16*d.* per ounce in 1878 to an average of 48 9-16*d.* in 1885, and at this time it is quoted in London an 46¼*d.* per ounce. Such are the facts, and here we are with the silver question still on our hands.

If it had not been for the passage of the Bland bill in 1878, I believe that long ere this silver would have been remonetized in Europe, and that both in Europe and the United States the mints would have been open to the free coinage of silver as they are to gold, and that the two metals would have been at a parity one to the other at a fixed ratio, as agreed upon.

The true friends of silver, the people who want silver restored to its proper place relatively to gold, as it was before its outlawry in Europe began, all recognize this. They have said it in print continually. The European bimetallists have fought a good fight; they have been in battle array all these years fighting for the cause of silver.

But during these years they have said and felt that the men in the United States who desire to keep up a local silver coinage when other nations have stopped are the enemies of bimetallism. Our bimetallist friends are there carrying on a fight against stupidity in high places, and those who ought to be their friends, who claim to be their friends, are all the time encouraging their enemies to hold out, encouraging them with present help and with promises for the future; in fact, many of these men who called themselves bimetallists have now thrown off the mask and are pronounced silver monometallists, and demand free coinage. Now, Mr. Speaker, these European bimetallists are the men beside whom we ought to stand and with whom we ought to join forces; they are our friends. We ought to help them in their struggle with indifference and prejudice in high places and with the gold monometallists who want the single standard through error or greed.

To do this we must follow the advice of those who know something about the importance of the international side of the controversy, and suspend the coinage of silver, in order that we may help our European bimetallist friends to accomplish that which is of paramount importance to us—namely, the remonetization of silver in Europe. But why have we not done this? Because our people have not understood the question. The silver mine owners, in their greed for present gains, have not looked to the future. They have been content to take the best price they could get for their bullion on a declining market rather than wait until international bimetallism is restored, when their profits would be largely increased. They have kept up a cry against bondholders and the "gold-bugs" of New York whereby they have deceived the people; they have flooded the country with their publications, and have had, as they have now, large sums of money at their disposal for

manipulating public sentiment; in fact, they are thoroughly organized, with a headquarters in this city.

The true friends of bimetallism are undoubtedly largely in the majority, but they are scattered and are fighting at odds against an organized force. But I predict that it will be as it was in the days of the "greenback craze," that when the people come to understand the question they will speak out for the suspension of the coinage of the standard dollar as they spoke in no unerring tone at the period to which I refer.

It may be that they will not learn the lesson except by further financial disaster consequent upon continued coinage. But, under any circumstances, this is a campaign in which there can be but one successful issue, namely, the re-establishment of silver in its proper place relative to gold through international agreement. Until this is accomplished, there must be no surrender. The fight must be maintained. Coinage under the Bland law must be suspended entirely, for to continue coinage under this law is but organized chaos for the United States.

The continuance of the present law is sure to thoroughly disarrange the monetary system, and to further shake public confidence. It is the very indefiniteness of the continuance of coinage without concurrent coinage in Europe that so completely alarms business men; and I say this as a representative of the business interests which are concentrated in and around New York. New York is the commercial and financial center of the nation. That which affects the business interests of New York, affects the business interests of the entire country, and *vice versa*.

With some regret, I say that I have often felt chagrined at remarks made upon this floor concerning New York; there seems to be an impression that her interests are inimical to those of the great West and South; that her merchants are moved largely by motives of narrow selfishness, and that it is her "bloated bondholders" who are the conspirators against silver and who are seeking to bring about the single gold standard for their own profit. This is an eminently unfair characterization. There are extreme silver men in New York, in fact, I see it charged in certain metropolitan journals that the seat of the agitators (I do not use the word conspirators) for free and unlimited silver coinage is in New York. Undoubtedly there are extreme gold men there also, but during the last two years important lessons have been learned, the subject has been studied in the light of new experience, and to-day New York, as a State, is pronouncedly in favor of international bimetallism.

As I have said, New York has studied this question in the light of events—and New York stands to-day on the side of the minority in Berlin and the minority in London, who are trying to get the majority to surrender the citadel of the single gold standard and so to establish international bimetallism. Remember, gentlemen, that New York is a great city, and great cities sympathize with each other and naturally look at many things in the same way. When London was shouting for gold, Paris for gold, Berlin for gold, it was quite natural that New York should also shout for gold I regret that this was so, and think that it was a mistake, but it was a very natural one.

Now, as I have intimated, the great mass of the merchants and bankers are international bimetallists, who demand that silver be restored by treaty agreement to its proper place in relation to gold, and these men will not be satisfied until it is accomplished, for they recognize it as the only true solution of the silver problem. They recognize the fact that a gigantic business blunder was commited when silver

was stricken down by the European nations and though some of them may at the time have thought the course a wise one, they have long since repented having had any sympathy with it. Gentlemen, there can be no general prosperity upon a sound basis in this country until silver is restored through concurrent action of the nations agreeing to open their mints once more to free coinage at a fixed ratio with gold. The result of eight years' experience has shown to the true friends of international bimetallism that the enactment of the Bland law was a gigantic mistake, as it has been the principle hindrance to the settlement of the question upon a broad international basis.

Judge Buckner, of Missouri, who served six terms in this House, was one of the ablest advocates of the Bland bill. In a speech made during the closing days of the Forty-eighth Congress he said:

> Our people are thoroughly bimetallic, and will never be content with a monetary circulation composed exclusively either of gold or silver. Their traditions as well as their interests demand the use of both metals—with the values of each regulated at such ratio as that neither shall be degraded to the condition of a mere money token, and both shall perform their part in the commercial exchanges of the world on terms of perfect equality.
>
> This can only be done by the concerted action of the chief nations of Europe with our Government; and to bring about this concert of action, the first step must be taken by us, and that step should be to suspend the operation of the silver coinage act for a time, in whole or in part, and at once enter upon negotiations with European nations to establish a fixed ratio of valuation between the two metals, and open their mints to the free coinage of both gold and silver on such terms as may be agreed upon. If we pursue our present policy there is nothing more certain than that the gap between the market value of the two metals will continue to grow wider and wider, and this country will be compelled to make choice between gold or silver monometallism. I would regard either as a great calamity to this country and the world, and I have an abiding conviction that the present is an opportune period for taking prompt and decisive action on this important question.

As a business man, and speaking from a business standpoint, I say that proposition is a sound one. But I desire to be understood that I am not opposing silver; I recognize its importance with gold as a coin of our Government.

I have more confidence in it than the distinguished Senator from Colorado (Mr. TELLER), if he meant what he is reported to have said in his speech of January 19. His words are as follows: "Suspension will degrade silver to such an extent that it will cease to be a money metal."

In this one sentence he has given away his cause. He evidently has no respect for the article. In his view the only thing that keeps it a money metal is the coining of two million Bland dollars per month! Preposterous!

If silver had no better advocates its cause would be lost. What, cease to be a money metal when Europe holds a thousand million of it as full legal tender, when it is still the standard of Austria and Russia, and when all Asia uses it as money, whether coined or not, to say nothing of Mexico, Central America, and most of the countries of South America! Silver, had it a voice, might well cry, "Save me from my friends!" if they be such as the Senator from Colorado.

We can continue the present anomalous law of compulsory coinage of two millions per month, or we can take the panacea proposed by the honorable member from Ohio [Mr. WARNER], permitting the holders of silver bullion of standard fineness to carry it to the Mint and receive therefore Treasury certificates, or the plan proposed by the honorable Senator from Ohio [Mr. SHERMAN], whereby the Secretary of the Treasury is authorized to purchase not less than 2,000,000 nor more than 4,000,000 ounces of silver per month, of standard fineness,

for which coin certificates are to be issued on the cost of the bullion; we can continue as we are, or adopt either of the above plans, or any one of the half dozen other plans proposed, but, in my judgment, they are all but temporary expedients, and should not be entertained by the Congress of the United States.

Free coinage is what we want to accomplish, and in my opinion it can only be done through the medium of suspension. So long as this coinage continues and uncertainty exists as to our future course, so long it is easy for European statesmen to put off dealing seriously with the question. But a date for suspension would, as has already been well said, serves as "a notice to quit."

Opinion in Europe is reassuring on this point. In Germany the convention of agriculturists had repeatedly discussed the silver question in its general assemblies, and expressed itself in favor of the international double standard as being in the interest of German agriculture. During the past year the distress of these interests became so much greater that the executive committee of the convention felt it to be its duty to address an earnest petition to the Diet, and a resolution favoring the international double standard was passed November 12.

Up to January 11 of this year petitions for the "establishment of the international double standard under guarantee of treaty" had been sent to the chancellor and to the Reichstag from two hundred and seventy-eight agricultural associations. These associations (varying in the number of their membership) represented all parts of Germany. I find for example, that all the provinces of Prussia proper were represented; all the provinces of Saxony, Lubeck, Hanover, Anhalt, Westphalia, Schleswig, Holstein, Wurtemburg, Bavaria; in fact all parts of Germany. In all eight hundred petitions had come to the chancellor and the Reichstag up to a recent date praying for the international double standard. That the pressure in Germany is very strong we are getting evidences almost daily. On January 22 a remarkable speech was delivered by Finance Minister Scholz before the Landtag. Among other things he said:

I have therefore observed with regret how wide a circle has been drawn into sympathy with this agitation, and especially that the agricultural interest, now in a pitiful condition, which demands our sympathy, has been led to hope that it can find therein the means of bettering its existence.

Of course Mr. Scholz being a minister of finance puts on a brave front as a gold monometallist, but he said of himself that he was not "a fanatical advocate of the single gold standard," and that he was "not insensible to the heavy losses which had been incurred by the demonetization of silver." Baron Von Mirbach, (to whom I have already referred), a nobleman of Eastern Prussia and a leading member of the Diet, in an address to the people of Germany entitled, "The serious injury done by the gold standard to those engaged in agriculture, in the mechanical arts, to manufactures, to laborers, to all who labor with hand and mind," says:

The establishment of the gold standard in Germany was a serious mistake, as the Chancellor of the Empire himself has said. It cost the country, that is the tax-payers, over 70,000,000 marks (seventeen and a half million dollars), and injured the entire population that lives by labor, and benefited only those who had money.

If Prince Bismarck had not stopped the further sale of the thalers (silver) in the year 1879 we should have suffered more than twice the loss already borne.

And further:

It is true that most people do not understand the monetary question, and this is so much to be lamented, for no question is of such far-reaching, practi-

cal importance for the weal or woe of all classes of labor, nay for the happiness of the citizen. It is much more important than the question of protection, in fact than all the issues of economic politics, which are so much discussed today. If it were only understood by the majority of the people they would raise a storm which would sweep the gold standard away as wind sweeps away chaff.

Dr, Otto Arendt, secretary of the "German association for the double standard under guarantee of treaty," writes, under date of January 12, 1886.

We need both metals. The equilibrium between them has been broken by the experiment of the gold standard. No single state is in position to restore that equilibrium; an international agreement is necessary. All states except England are ready for such an agreement if Germany decides to join. If we leave this one nation in its isolation the monetary problem which seems so difficult will be solved. Future generations will instance among the greatest aberrations of the human mind the idea and the experiment of the gold stand ard which has brought such unspeakable misery upon the world.

On February 11 a Reuter telegram from Berlin stated that the motion introduced by Herr Huene in the Reichstag on behalf of the Conservatives, urging a new and searching inquiry into the currency question, with a view to ascertaining whether it would be better to adhere to monometallism or return to a double standard, was adopted by a vote of 145 to 119. The result is a step forward for the international bimetallists. Gentlemen, I could produce evidence almost indefinitely to show that Germany is alive to the importance of a settlement of this question, and with a little more pressure would be ready to agree to an arrangement, but so long as we are bound by law to continue indefinitely to grind out at least two millions of Bland dollars per month we greatly retard if we do not directly prevent success. With one more quotation from Minister of Finance Scholz I will make no further reference to Germany.

In the speech to which I have already referred he alluded to the embarrasments of the United States, from which he said with pride, that Germany was free because she had stopped the coinage of silver. Is it not obvious that it is desirable that we now enter upon a course whereby we may be relieved, and shift the embarrassment upon them; in other words, allow Germany to "lie awake nights" over the silver question instead of continuing to do so ourselves? To me everything indicates that Germany is in a condition where pressure is sure of producing a favorable result.

Turning to France, I think I am safe in saying that, judging from her past history and from recent action, she would not be slow to consent to enter into negotiations to establish international bimetallism. From the London Bullionist of February 6 we learn that an official decree had been promulgated appointing a permanent commission to consider the monetary question in France and other countries. I can say on excellent authority that there is not a prominent man in Holland who is not an international bimetallist. The chief powers comprising the Latin Union are France, Belgium, Switzerland, and Italy.

Concerning France I have already spoken. Of the remaining states I can say without hesitation that international bimetallism through guarantee of treaty will be to them the solution of a serious problem.

Turning to England, we find that the friends of the double standard are waging a hand-to-hand fight with the advocates of the gold standard, and that latterly the conflict has become very sharp. On January 22 the annual meeting of the "International Monetary Standard Association" was held in London. Henry H. Gibbs, ex-governor of the Bank of England, presided, and among other things said, that "he believed that the royal commission (of which he is a member) on the

depressed condition of trade in Great Britain would report that the present condition of the silver question had an important bearing on the depression."

The meeting, before adjourning, resolved to form a gold and silver league on a popular basis. At Manchester, on the evening of February 16, a large and important silver meeting was held, including many members of Parliament and prominent silver advocates, Mr. Grenfell, ex-governor of the Bank of England, a prominent bimetallist, denounced the Government for refusing to answer questions connected directly with the currency, and declared that the people had a right to the information for which those questions called.

On the 23d of February a meeting of the chambers of commerce of Great Britain was held ar London.

The meeting, by a vote nearly unanimous—

Resolved, That the depreciation of silver and its present tendency to disuse as money are disturbing trade generally, and England's Eastern commerce in particular.

Another resolution adopted contained the following language:

We urge the Government to unite with other countries in an endeavor to restore silver to its former function as a legal tender, thereby giving it a permanent instead of a fluctuating value.

Mr. Moreton Frewen, in a letter to the Pall Mall Gazette, in September, said:

There is no question of the day of the same importance to England as is the question of the future of silver. We in England require to know betimes what action Congress will take on this issue. A fall of 12 pence in the price of the ounce of silver has contracted the imperial revenue of India to the extent of some £6 000,000 sterling, and, far worse than even this, has absolutely dislocated our commercial relations with all those nations which use silver.

He further shows that the suspension of the coinage by the United States of the two million or more standard dollars per month would put England and her Indian empire in a position of extreme and, from our point of view, well-deserved difficulty. Mr. H. Schmidt, in a paper entitled "The Future of Silver," read before the Institute of Bankers in London on March 18, 1885, admitted that the proposed suspension of the Bland act was chiefly directed at England, but not so much directly as indirectly, through India, and that the immediate result would be disastrous.

While I have no doubt that we could force Great Britain into a very awkward position, and while the minority party which favors the remonetization of silver is very active and aggressive, yet her people as a whole are extremely conservative; and the effort might prove unsuccessful. International bimetallism can be accomplished, however, without England, for it existed without her from 1816, when she demonetized silver, until 1871. It was then that Germany began her attack upon silver in endeavoring to follow the example of England, and became a gold single-standard country.

This brief review of the state of opinion in Europe shows that the scheme of getting the nations to agree upon the measure of mutual benefit which the United States proposed to them in 1878, and again in 1881, is a practical one, based upon the enlightened self-interest of the various nations whose agreement is sought. It shows that the obstacle to success is the indifference, the dullness and ignorance, of men in power in those governments; and, further, it shows the practical difficulty of getting nations to move.

Every member of this House realizes the difficulties of getting laws enacted, or of getting the Departments or the Executive head of the Government to do something new, something out of the ordinary course, and particularly if that something implies that there has been a blunder which will be shown by a change in the plan of action. You, gentlemen, should be the first to recognize the practical difficulty of which I speak. You know that nations move slowly, following in the rear of an enlightened public sentiment. You, of all others, ought to be able to see that what these high officials need in order to get them to move faster is to be shaken up. They need to be brought face to face with their responsibilities in the eyes of all the world, and the opportunity ought not to be afforded of seeking refuge behind a pretext of any character, no matter how adroit it may apparently be.

Now, gentlemen, the measure which I advocate will accomplish this result in every nation in Europe. A date fixed by us for suspension of the coinage of the standard dollar, unless there shall be international concurrence before this specified time, is a summons left in the hands of every European statesman who has any responsibility to his country, to his sovereign, or to his constituents—a summons which he cannot forget or ignore—to wake up and take hold of this question, in order to bring about its settlement upon the only basis which can possibly be permanent and satisfactory, the basis of international bimetalism through treaty agreement to open mints to the free coinage of silver at an established ratio to gold.

I shall devote the remainder of my time to some of the arguments of my opponents.

The honorable member from Ohio [Mr. WARNER], in his remarks upon this floor, quoted Pliny as saying that "gold was a curse." In Article X, on "National Problems," he also quotes from the same writer and uses the following language:

> Pliny speaks of the introduction of the gold denarius as a "crime committed against the welfare of mankind." If the introduction of gold coins into the Roman republic was for the purpose of increasing the money standard, then the denunciation of Pliny was not unmerited.

Mr. Speaker, I take it that every member has heard of Pliny, and has a wholesome respect for an ancient Roman who could so far triumph over the ravages of time as to transmit an anti "gold bug" message to the Forty-ninth Congress, in a land that was not heard of until fourteen hundred years after his death. I can imagine a "gold-bug" writhing under the application of Pliny, and I see the constituencies of silver rejoicing over the unexpected reinforcement which they owe to the learning of the honorable gentleman from Ohio. It is, however, my painful duty to tell the honorable gentleman that "all that glitters is not gold." Information is great, but accuracy is greater.

I hold in my hand a copy of the works of the aforesaid Pliny, and I find him on page 111, volume 6, talking of "silver ore as another folly of mankind."

The melancholy fact is that the gentleman did not read far enough. This great Roman whom he has seen fit to throw at our heads was not an anti-gold man or an anti-silver man; he was an anti-money man. He believed in barter: he objected to money; and his reasoning was excellent. He objected to men's spending time in digging after money when they ought to have been digging after chemicals and drugs. He was writing a book on natural history, and he was a medical enthusiast and spared nothing in his praise of medical knowledge. His idea was that men should be searching for remedies to cure diseases rather

than to be spending their time in making iron for swords, or mining silver and gold for luxury and treasure.

But, gentlemen, I am not here to vindicate Pliny, nor to pick flaws in the literary productions of the member from Ohio, but I stand before you to bear testimony to the fact that the entire argument of the advocates of the standard silver dollar rests upon flimsy foundations. It will not pass inspection; it is bound to break down. The same inaccuracy which I find in this citation from Pliny goes through the entire argument of the extreme silver men.

Take, for example, the minority report on the bill (H. R. 5690) now before the House, signed by Mr. BLAND, Mr. LANHAM, and Mr. BYNUM. I find on page 10 a statement about the various countries of the world and their money. Here is a list of gold standard countries—countries where this metal is the standard money, where any owner of gold bullion can take it to the mint and get it turned into money at par.

Below is a list of silver standard countries where silver has a like position. Then comes a list of double-standard countries, where one would suppose that gold and silver were the standard, and where the owner of gold or silver bullion could get it coined into money at par. Among others the United States of America is down as being a double-standard country. How is this? Can any owner of silver bullion take it to our mints and get it coined at all, or, in fact could he go to any of the important countries in that list with his silver and get it coined into money at par? No; of course not; so here is a false statement, as I look at it. Can any one maintain that that statement is not meant to mislead? But where did that statement originate? It comes from the report of the Silver Commission of 1876, printed the following year, before the enactment of the Bland law in 1878, and when gold was the standard of value and sole full metallic money. The statement is misleading to-day; it was more misleading in 1877.

France is in the list as being a double standard country; Belgium, Italy, Switzerland, the Latin Union, which stopped the coinage of silver on private account in 1874 and stopped it on government account in 1878. France a double-standard country, when it is ten years since she has coined silver! Holland has coined none since 1875. It is charitable to suppose that the men who prepared that statement in 1876 were asleep, and that they thought every one else was asleep. Such misrepresentation of facts as these are all made in one interest. The report of 1877 was made in that same interest. The very basis of the argument of this interest is full of fallacies.

Why, gentlemen, if this table gave a true picture of the monetary condition of the commercial nations we should not be arguing this question in this House at this time, for we should not have any "silver question" on our hands. The standard dollar would be worth a dollar and three cents, instead of eighty; in fact, it is a question whether the trade-dollars and the standard dollars would not go to the melting pot to be sold as bullion to be exported to the double standard countries, where it could be converted into money at the ratio of 15½ to 1.

If the Latin Union and Holland were true double standard countries, as the table represents—that is, if silver could be taken to their mints and coined into money at the ratio of 15½ to 1—we should practically be in the condition we were in before the war, a double-standard country, but with gold alone flowing to our mints for free coinage. You can see why it was worth while for an attorney of the silver interest to prepare such a table; it is misleading and calculated to deceive, whether intentionally or through error I leave to you to decide. Whoever places any reliance upon it gets a distorted view of the situation. It ignores

the main facts that every one should know who has to deal with the silver question.

I appeal to my friends on the Committee on Coinage, Weights, and Measures, who signed the minority report, to expunge that table from said report. I suggest to those gentlemen who have published it in their speeches to add a postscript, or to follow them, as they have been sent out, with a circular letter to this effect: "Error corrected. Instead of double-standard countries, as published in my speech, please read countries which were once double-standard countries but which are no longer such as they coin only gold."

Then follows the list of countries; after which add, "These countries hold more silver than the United States holds of gold and silver together, and if Mr. BLAND'S bill should become a law these countries may be expected to send silver sufficient to buy up all of our gold and leave us with the silver standard. In any case, this measure would ruin the prospects of international bimetallism."

For ten years the agitators for immoderate coinage here have held out this prospect to the gold men of Europe, and so have helped to prevent the success of bimetallism. These agitators for immoderate coinage are the men who have done most to keep down the price of the products of the West and South. Here is something which my friends BLAND, LANHAM, MCCREARY, LAFFOON, and CLEMENTS, of the House, and Mr. JONES, of the Senate should have pasted upon their speeches and reports. If they do not do it themselves some one must do it for them.

Gentlemen, this line of tactics is not confined to this House, but it has invaded the Senate, spreading itself upon eight columns of the *Record*; I allude to the memorial of an association which is called the National Bimetallic Coinage Association. The true object of this association is the immediate sale of silver through inducing the repretatives of the West and South to sacrifice their real interests to the imagined interests of silver States. Senator JONES, of Nevada, introduced this memorial on March 11. We find in it the same erroneous statement.

I read from the *Congressional Record* of the 11th instant:

THE FALLACY, "DUMPING-GROUND FOR SILVER."

With the re-establishment of the free coinage of silver in this country we have been told that the United States will become the dumping-ground for foreign silver. This assertion manifestly rests on error, and a review of the rates of coinage of the several leading nations in this world will soon dispel all just grounds for such apprehension. On the contrary, with the free coinage of silver re-established in this and other silver-using countries in Europe we shall be confronted with a drain upon us for our silver dollars. Our coinages and that of Mexico are as 1 to 16, which means we gives 16 pounds of silver for every pound of gold. The Latin Union, on the contrary, coins at the rate of 1 to 15½; Great Britain in respect to subsidiary coinage as 1 to 14.28. The German Empire as well as all the other nations of South and Central America coin as 1 to 15½, hence the loss on their coins would alone prohibit the exportation of their silver to this country. So far as Mexico with her standard of 1 to 16, equal to our own, is concerned, we have no reason to apprehend any injurious importation of her silver.

Please observe, gentlemen, that the Latin Union *coins* and that the German Empire *coins*. Gentleman, as I have already shown, the German Empire ceased coining silver in 1871, Holland in 1875, France and her allies in 1876; hence, they are no longer double-standard countries; therefore this statement is misleading, it is incorrect. Those countries are no longer double-standard countries. No one can take silver to the mints of those countries and have it coined

as they can gold, they are single-standard countries. And the memorial contains other equally fallacious statements.

I ask all candid men if I am not warranted in finding evidence of a conspiracy of silver men to deceive the people and to mislead their representatives in Congress. The Silver Commission of 1876 and 1877, minority report of the Committee on Coinage, Weights and Measures of this Congress, and the memorial just alluded to all pervert facts upon the silver question. What does it mean? It means a good many things, but among others, and an important one to the silver mine owners, it means a market for their production. They want to sell their silver; they claim protection from the Government; in fact, it has occurred to me that it would be cheaper for the people if the Government did protect them by paying a subsidy to the mine owners rather than by pursuing the present unfortunate policy.

In my judgment the silver mine owners have gone too far; they have overestimated themselves. If they had been more modest in their claims they would have realized more than they have done. It was their fortune to have their private interests tied fast to one of the great interests of mankind, and they were so elated that they began to think they could control the monetary interests of the country. The silver men are trying to run the silver question, and the most they have done is to do harm to the cause of silver. Alas, for silver, if it only had such friends as these.

Now, gentlemen, let us take another long look at the principal facts that concern the past, the present and the future of silver. These facts are, that down to a few years ago a combination of the chief nations coined all the silver that was offered at the mints at a fixed ratio to gold, which combination was broken up in the manner I have explained This Government started a movement to get the nations to combine in restoring silver. That work is now in progress. It is in the hands of its friends in Europe who are working their way toward success. They ask our help; they ask us not to weaken them by continuing our coinage at the ratio of 16 to 1.

And now comes the same old cry for free and unlimited silver coinage, which from the beginning has encouraged the gold men of Europe to hold firm in the position they have taken. Gentlemen, I appeal to the sober second thought of this House to stifle this cry, which is really, though its authors may not know it, treason to the true interests of the country.

Gentlemen, this country is for bi-metallism; it is for the restoration of silver to its former rights side by side with gold, rights which it had and which were guaranteed by international concert, and which shall be given and guaranteed by international concert again. The country, I say, is for an international ratio. This country is not in favor of a local ratio.

Let me tell my colleague on the committee [Mr. BLAND] that we are neither red Indians nor Chinese; that this ratio of 16, or more correctly 15,988, on which the present dollar is coined is not a "totem" nor "medicine" nor a little "joss" to our people. What they want is to see silver as good as gold, and no local ratio can accomplish that result. The ratio of 16 to 1, and free coinage, means the silver standard. I congratulate the three members of the minority who signed the minority report that they have been frank in saying that they "see no harm in coming to a single silver standard."

Now, Mr. Speaker, this country does not want the single silver standard. The people will not have it. The only reason why they tolerate the existing coinage of silver is because they have not fully under-

stood the question. Error has been spread abroad throughout the land, and the Government Printing Office is being further used for its dissemination. It is time to call a halt, and I appeal to all men who care for the best interest of the people to unite in an effort to suspend compulsory coinage and for the accomplishment of international bi-metallism. [Great applause.]

ADDITIONAL REMARKS

OF

HON. DARWIN R. JAMES,

OF NEW YORK,

IN THE HOUSE OF REPRESENTATIVES, APRIL 2, 1886.

Mr. SPEAKER. I desire to add to my remarks of March 20, 1886.

The following lines are a part of the platform of the Republican Convention of the State of New York, adopted at Saratoga, September 23, 1885:

"The restoration of silver to its former position through equality with gold before the law in a majority of commercial nations must remain, until accomplished, the chief aim of our monetary policy."

The platform adopted by the Democratic Convention at Saratoga, September 25, contains recognition of the same idea:

"But we will welcome any practical measure of agreement with other nations by which the ratio of value between gold and silver may be made less fluctuating."

FROM ANNUAL REPORT OF THE SECRETARY OF THE TREASURY (Mr. SHERMAN) ON THE STATE OF THE FINANCES FOR THE YEAR 1879.

The Secretary cannot too strongly urge the importance of adjusting the coinage ratio of the two metals by treaties with commercial nations, and, until this can be done, of limiting the coinage of the silver dollar to such a sum as, in the opinion of Congress, would enable the Department to readily maintain the standard dollars of gold and silver at par with each other.

FROM ANNUAL REPORT OF THE SECRETARY OF THE TREASURY (Mr. SHERMAN) ON THE STATE OF THE FINANCES FOR THE YEAR 1880.

It may be better for Congress at the present time to confine its action to the suspension of the coinage of the silver dollar, and to await negotiations with foreign powers for the adoption of an international ratio. * * * * * * * * * * * *

FROM ANNUAL REPORT OF THE SECRETARY OF THE TREASURY (Mr. FOLGER) ON THE STATE OF THE FINANCES FOR THE YEAR 1881.

The most potential means of bringing about any concert of action among different nations would appear to be for the United States to suspend, for the present, the further coinage of silver dollars. This is the decided opinion in both France and America, of the highest authorities on bi-metallism, and of those who wish to bring silver into general use and raise its value; and it is believed that a cessation of coinage would, at a very early day, bring about a satisfactory consideration of the whole subject among the chief commercial nations.

(The recommendations of the Secretary were repeated by reference in his reports for 1882 and for 1883.)

FROM ANNUAL REPORT OF THE SECRETARY OF THE TREASURY (MR. MCCULLOCH) ON THE STATE OF THE FINANCES FOR THE YEAR 1884.

The United States is one of the most powerful nations—its credit is high, resources limitless; but it cannot prevent a depreciation of silver unless its efforts are aided by leading nations in Europe. If the coinage of silver is continued in despite of the action of Germany in demonetizing it and the limitation of its coinage by what are known as the Latin nations, there can be but one result; silver will practically become the standard of value. * * * * * *

The European nations which hold large amounts of silver must sooner or later come to its rescue, and the suspension of coinage in the United States would do much to bring about, on their part, action in its favor.

FROM ANNUAL REPORT OF THE SECRETARY OF THE TREASURY (MR. MANNING) ON THE STATE OF THE FINANCES FOR THE YEAR 1885.

The choice before Congress is not between silver monometallism and gold monometallism. Both are inadmissible. The choice before Congress is not between bimetallism and either gold or silver monometallism. The latter are not admissible, and bimetallism is only possible with the co-operation of other nations, which is not now to be had. For, although France holds the same friendly attitude, and would be followed by some of her associates of the Latin Union, England now, as in 1878 and 1881, is willing to depart from her mintage of gold alone into coins of unlimited legal tender, and Germany now, as in 1881, regards the concurrence of England in an international bimetallic union as a *sine qua non*. * * * *

The only choice before Congress, therefore, is the choice between one metallism and two-metallism. The silver dollar cannot be kept in equivalence with the gold dollar if the coinage of silver continues. The gold dollar cannot be kept in full domestic circulation if the silver dollar is suffered to fall. Coining more necessitates its fall. Doubtless some may hope that more silver dollars can be coined, and yet their equivalence with the monetary unit not be lost. It is respectfully submitted that there is no compensation for that risk, and that a judgment so accordant of the great business classes who carry on the exchanges of the country must be accepted as a final estimate of that risk.

Nor should it be forgotten that every silver dollar coined hereafter at our present ratio would be, as the coining of every silver dollar since 1878 has been, a direct hindrance to the international bimetallic union then avowed as the object of our legislative policy.

EXTRACT FROM HOUSE EX. DOC. NO. 100. 49TH CONGRESS, 1ST SESSION. LETTER FROM THE SECRETARY OF THE TREASURY TO THE SPEAKER OF THE HOUSE OF REPRESENTATIVES IN RESPONSE TO A RESOLUTION OF THE HOUSE, ETC., MARCH 2D, 1886.

It is now become plain, to all who take comprehensive and practical views of public policy, that the United States can do no better than return at the earliest possible date to a bimetallic unit of value. By this I mean—

1. The monetary unit embodied in coins, both of silver and of gold.

2. The monetary unit of value embodied in the silver coin to be made and kept in that successive and simultaneous equivalence with the present and prior unit of value which has been our honorable distinction ever since the Constitution was framed.

3. Open mints for the free coinage of gold and silver at a fixed ratio, to every citizen of the United States bringing either metal, and the

right to have his coins received in every sale and payment as full legal tender dollars.

Nothing less than this is bimetallism. It is not bimetallism that we are having now. All our silver coinage is but excessive subsidiary coinage of Treasury purchases of silver for a fictitious Treasury profit. We lack an indispensable part of bimetallism. We lack the free coinage of everybody's silver, to an amount unlimited by Government, into coins of full legal tender. We only maintain a free coinage for everybody's gold, to an amount unlimited by Government, into coins of full legal tender.

It is the facts of our present situation, I would respectfully reassert, that constrain us toward bimetallism as our goal.

Our $550,000,000 coined gold, our $220,000,000 coined silver, now make any policy save ultimate bimetallism for the United States, practically and politically a Utopian policy.

Stopping the coinage of Treasury purchases of silver is not a policy in which we can rest and be thankful. It is merely the first and indispensable step to ultimate bimetallism. It is also the only step to ultimate bimetallism. No intelligent expert on either side the Atlantic has proposed or attempted to defend any other step to ultimate bimetallism.

It is a wise step in the interest of industries jeoparded by doubt, to end the increasing risk of expelling our gold. But it is a step necessary in the interest of silver owners, because continued silver-dollar coinage, after long trial, neither betters the price of silver nor narrows its fluctuations, and tends to prevent rather than promote that international concert which, by restoring open mints for silver in three or more great commercial nations, can alone restore its price. No mint in the world which gives free coinage to gold now gives free coinage to silver. Except our own, no mint in the world which give free coinage to gold now coins full legal-tender silver. We alone heap up the load. The sure outcome is silver monometallism for us. Meanwhile what good has eight years of it done the silver owners? Not a dollar of their coin or bullion crosses the sea and there brings its former price. But silver monometallism in the United States will not restore silver to its old price any more than the sileer monometallism of India, China, and Mexico do. It will not even tend to restore silver to its old price, and so is condemned as an incapable, unprofitable monetary policy. In that respect, it is worse than our present limited coinage of Treasury purchases, prior to the day of their outcome in silver monometallism. It is even worse for the ultimate price of silver than if we stopped such coinage and held on so, indefinitely. The reason is plain. Silver monometallism in the United States, in due time, and finally, will release to Europe the bulk of our $550,000,000 gold, and assist every once bimetallic nation there to follow Great Britain and the Scandinavian States in becoming and remaining a gold monometallic nation, with but token silver for small change.

Silver monometallism in the United States, in due time and finally, will release the depreciated full legal-tender silver of European bimetallic nations to compete with the product of our own mines for a passage through our mints. Assume that we could exclude it by stringent laws—though it is a strange assumption—foreign silver would distance ours in the race for the Orient, with which we trade mostly through Europe now, and with which we have so little trade, but Europe so much.

The transfer and exchange of a part of Europe's silver stock for the bulk of the United States gold stock might be indirect in part,

but it would be unavoidable. The open mint for silver in France was all that Germany used or needed to effect the substitution of her silver for the gold of France. That is what silver monometallism in the United States would at last come to, undeniably—the exchange of European silver against American gold; and that could not raise the ratio of silver to its old level, but would fasten it down finally.

Even were this indirect but ultimate exchange of our gold for European silver hindered by any present tendency of coin balances to continue in our favor, it is still but an affair of time. There are other arguments, too complex to be met incidentally; but whatever their force, the disuse of gold by the United States would be compensated by its increased use in Europe, and thus prevent its loss of purchasing power. So our increased use of silver, tending to enhance its purchasing power, would be countervailed without benefit to the United States, by its diminished use in European nations, thus preventing its gain of purchasing power, whether their legal-tender silver stocks were drained off to the West or East. The bimetallic theory of an ever-balancing approximation of the two metals to a fixed ratio, whatever the variations in the natural increase from mines of either metal, has no application to the case of substitution here supposed, any more than it had to the substitution which Germany effected at the expense of France. The emigration of our gold to Europe would not restore the price of silver.

There is one way, and only one, by which silver can be restored to its old ratio and value, namely an international concert upon a common ratio with open mints to both metals at that ratio.

A concert of European powers without the concurrence of the United States is impossible, for this reason. The ratio of gold at which most of the European silver stocks have coined is 15.5:1. Our ratio is 16:1. A merely European concert of nations would make profitable the export of all our silver, and we should be drained of the metal as we were, by the same difference of ratios, from 1834 onward, when our loss induced in 1853 our first subsidiary coinage of fractional silver.

A concert of the European powers together with the United States, until we stop coining silver, is impossible for the same and another reason. It is impossible while ratios differ, and while we persist in that which is not only different, but which would both drain us of all except fractional silver, and inundate them with our coined $220,000,000 and whole future annual product. But moreover the step is one which no European nation, now loaded with a depreciated but full tender silver coinage, will consent to take while the direct or indirect substitution of European silver for the United States gold seems a possibility, even a remote one. It is perceived to be a near possibility under the continuing operation of our present laws, by those who control, with firm hand, the monetary policy of foreign powers.

So long as we do not stop, and stop unconditionally, our coinage of full legal-tender silver, we cannot destroy foreign hopes of enlarging their stock of gold at our expense. But I am equally well assured, that when we do stop, and stop unconditionally, and destroy such hopes, such an international concert as I have described will then become possible. The situation of bimetallic European nations will then be no better than ours, and, for the first time since the fall in value of their full legal-tender silver, will offer no other remedy or outcome than an agreement, with suitable precautions, upon open mints at a fixed and common ratio, to which the assent of the United States would be indispensable.

THE SITUATION

AN ADDRESS TO BUSINESS MEN

BY

HENRY W. LAMB

January 30, 1897

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THE SITUATION.

ABOVE all things business men dread legislation that causes disturbance. Now the threatened increase of protective taxes might not in itself widely disturb the business of the community: indeed, I shall point out later how absurdly small is the direct change which it could possibly effect in proportion to the total of our business transactions. Nevertheless, according to every sign of the times, it is as sure to be followed by another and vastly greater disturbance as day by night. It would not lead merely to another disturbance of the tariff: it would confront us with all the dangers of a social revolution. I am not an alarmist, but it is my duty to call attention to facts that any thoughtful observer may see for himself. As was well said at the recent monetary convention in Indianapolis, the late election has merely secured for the cause of sound money "a respite of four years." The use made of the victory will determine whether the respite shall be extended into permanent security from the dangers with which the business community found itself last summer face to face.

For what was that victory, won at great cost and after a distracting struggle which almost paralyzed business? It was the defeat of a movement, which, though it trumped up some fancied wrongs and demanded dangerous and delusive remedies, yet found the source of its strength in a deep-seated feeling of real injustice and a wide-spread and well-grounded belief that our law-makers will do anything for the money power and nothing for the masses of the people.

What was the first use made of the victory? Was it a proposal to improve the currency, or a promise to redress the injustice and lighten the burdens put upon the people? No, it was a notice to campaign contributors and other representatives of organized wealth to hasten to Washington, lest, in increasing a host of taxes to put money into their pockets, the Ways and Means Committee should skip some likely chance.

Renewal of Danger.

Those whose mistaken zeal last summer threatened disaster and actually wrought injury to business will not relax, but will rather redouble their efforts, at this justification of their belief that oppressive laws are made at the dictation and for the benefit of a favored few. Let business men look about them and see. Instead of suffering from the demoralization that generally follows such a defeat, especially a defeat brought on because the case selected as the chief issue signally failed to stand against evidence and argument, the unsuccessful party is everywhere steady, aggressive, and hopeful. Its leaders will make personal and political capital out of their opposition to the tariff increase, but they are not sorry to see their opponents preparing to use their abundance of rope to hang themselves. During the recent tariff hearings their confidence was not lessened by the behavior of the Ways and Means majority and the treatment they accorded to Mr. Brandeis, who ventured to remonstrate on behalf of the consumers,—the masses of the American people.

The Ways and Means majority sank in the estimation of many thousands of both parties who read about it, but it is safe to say that not one man thought less highly of Louis D. Brandeis.

What do business men suppose will be the effect of a tariff increase prepared by such a committee, in such a spirit, upon the uncounted thousands of Democrats to whose self-sacrificing patriotism the Republican party owes its

victory? They refused, like the Republicans, to support a proposition to depreciate the dollars of our people, in other words to make those dollars buy less goods. What will they say to this Republican proposition to commit that very outrage, to make the dollars of our people buy less goods, and to put more of those dollars into the pockets of a favored few? Some of us took an active part in urging Democrats to put their country above their party. We said: "One thing at a time. Let us save the country from free-silver coinage even though to do it we put Republicans in power. Then let them increase protection if they choose and if they dare."

And now they do choose, and will dare, unless business men bestir themselves to exert the only influence that will avail to prevent this repudiation of the principles and arguments upon which success was won, this disregard and betrayal of the cause of sound money, of a reformed and improved currency, of civil service reform and of all good government. So long as the masses of the defeated party still adhere to the Chicago platform, no deadlier blow could be struck at the cause of good government than an increase of protection, which would tend to unite under dangerous leadership those whose separation alone caused the defeat; for it would add to the incentive of a fancied grievance about a pretended "crime of 1873" a righteous indignation at a real crime of 1897.

A Lame Excuse.

There are two objects set forth as excuses for this reckless proposal to expose the community to the dangers which it most dreads. They are increase of revenue and increase of business. Let us see if they will stand a business man's examination. In the first place the treasury reports show why it is that we need an increased revenue. It is owing to enormously increased expenditures. There can be no dispute as to that. The average annual ordinary expenditures of the government during the last three fiscal years

exceeded the average during President Cleveland's first administration by more than $95,000,000 a year. The ordinary receipts during the last fiscal year, $326,976,200.38, would meet such expenditures as the last named and leave an annual surplus of $63,959,727.20, or a total surplus of over $255,000,000 for the four years. Sound business men who find income falling short of expenditure may try to increase their income, but they make things safe and sure by reducing expenses as their best reliance. Nothing is heard from protectionists yet about reducing expenditures; while their party now in power in Congress seems bent upon exceeding the estimates by the appropriations.

An increase of protective duties would be extremely unreliable as a revenue measure. Protection and revenue in the tariff are inconsistent and hostile, conflicting with a constant fluctuation of success which depends upon changing circumstances that cannot be predicted. Remember that the increased tariff of 1890 was entitled an act "to reduce revenue." A similar increase now would be more likely to reduce revenue; for conditions are changed. Increased protective duties applied to our imports of this year would not secure as much revenue as the increased duties applied to our imports during 1891, 1892, and 1893. A general improvement in business might possibly increase imports enough, in spite of higher duties, to raise the revenue, but possibly it might not: there is no certainty. On the other hand, under the present duties such an improvement in business would be sure to raise it.

True Revenue Resources.

It seems to be often forgotten, in discussing the question, that we rely upon other sources of revenue as much as upon the tariff, for customs have given us for a long time only about half of our ordinary receipts. If more revenue is needed it may safely be obtained from other sources, much

more reliable than the dangerous experiment of an increased protective tariff. The report of the Secretary of the Treasury for 1893 contains the expert opinion of Hon. David A. Wells, which has never been controverted and which demonstrates the ability of the country to secure a large additional income from sources which would not burden our people or our industries like the restoration of the wool duties. (For Mr. S. N. D. North, the expert who appeared on behalf of leading woollen manufacturers, testified that taxed wool would burden the woollen industry.) Over $30,000,000 a year additional could be secured by an added internal revenue tax of a dollar a barrel upon beer, which would amount to about a fifth of a cent per glass. Such a tax would never be felt by the consumer; it would be lost in the froth on the glass.

No increased tariff duty can so greatly increase the revenue unless the back track is taken and revenue duties are laid upon tea or coffee or increased upon sugar, a course more unpopular with protectionists than with free traders. And then what would become of the vaunted policy they used to call reciprocity, which would be a very different matter without free raw sugar? The fact is that the plea of increasing the revenue was almost entirely discarded during the tariff hearings, and its insincerity is continually exposed by the utterances of the members of the Ways and Means Committee.

Another Lame Excuse.

Let us, then, consider the second excuse for this proposal to smoke in a powder-magazine. It is the claim that an increased tariff will benefit business. But how? Its supporters do not venture to say. All that we ask is a plain statement of the facts in the case, but they dare not publish them.

An estimate could easily be agreed upon, but it is harder for one side to make it alone. We do not know what effect the protectionists expect their increased duties to have upon

imports. That is, we do not know how great is the amount of goods which they claim are now being imported because of the reduced duties. Our imports, which were $866,400,922 in the fiscal year 1893 under the McKinley tariff, were only $779,724,674 in 1896 under the present tariff,—a decline of nearly $87,000,000. Now, out of these reduced imports, there are unquestionably some which are imported because of the reduced duties. But how many? Imports have declined $87,000,000 net under the reduction: how much have they increased because of it? or, in other words, what amount of imports do protectionists claim they will exclude from the channels of business in this country by restoring the McKinley rates? I can hardly believe that any well-informed man would claim that amount to be $200,000,000. It would certainly appear to be an extremely high estimate. But, admitting that claim, it amounts to what? To something over one-half of one per cent. of the total business transactions of the country.

The protectionists expect, therefore, to benefit our business by a measure which will exclude foreigners from a fraction of one per cent. of it.

If we inquire how many could be employed in producing goods to take the place of these excluded imports we shall find that their number might be a fraction over one per cent. of all our workers. That would represent the increased employment which the measure would give, if it were not for the great danger that the same measure which excluded imports would lead to a reduction of our exports and deprive of their employment those engaged in producing them. The number engaged in producing our exports is increasing under present conditions. It is difficult to see how they could regard as a benefit to their business a measure which would be likely to deprive them of a part of it, though one protective philosopher who appeared before the Ways and Means Committee thought that this encouragement of exports was an economic crime. Those who make the goods which are exported probably do not

think so, though they may not wish to incur the hostility or the insults of the Ways and Means Committee. Some of them, however, have been heard from, among them the Midvale Steel Company, through Mr. Harrah. He fears that an increase of duty on our part would provoke retaliatory measures from other nations which would seriously check our exports. Thus the measure which proposes, by raising duties, to exclude the imports which now come in because of reduced duties, could not be depended upon to increase the number engaged in the various occupations of this country even one per cent., if at all.

The Home Market.

A few words may be added as to the indirect effect of increased duties upon the "home market." A protectionist journal recently made the mistake of complaining that we insist that the results of tariff changes can readily be traced because they do not proceed beyond those industries or persons immediately affected. That is not an accurate statement. We do not say that. We admit that under some circumstances a benefit to one class or one industry would indirectly benefit others; but a benefit obtained at the expense of the others is not that kind of a benefit. A direct benefit to one per cent. of us cannot indirectly benefit ninety-nine per cent. to any great extent, especially if the ninety-nine must first be taxed to give the benefit to the one. Some protectionists say that it is not merely the exclusion of a certain quantity of imports which is expected to benefit business, but it is the increased price for domestic goods now affected by their competition. That is rather a dangerous argument for a protectionist to use, for it admits, after all his denials, that the tariff is really a tax upon the American people, and a tax vastly greater than the revenue collected. It is evident that in our home market an extra price paid for domestic goods must be paid by Americans.

The expectation is unsound as well, and every business

man on reflection must admit that it is. Putting up prices does not revive business, though a revival of business may put up prices. When a firm or a combination corners the market on anything and advances its price it seldom expects this to cause a more active demand. There may be a rush for a short while to get under cover, "out of the wet"; if there is, stagnation follows.

Business men have been told so often that business depends upon the tariff that they have taken it for granted and have never thought to inquire in what way tariff changes can affect business. They lose sight of the simple truth that other forces and events in the commercial world are more powerful than the tariff in causing changes. Thus they are apt to ascribe many things to tariff changes, when observation and their own common sense would show that changes much greater than tariff changes (and often greater than tariff duties) are all the time being wrought by other influences which affect prices and cost of production.

This unthinking habit of taking it for granted that all business changes are owing to tariff changes enabled partisan politicians to secure acceptance for the amazing untruth that the panic of 1893 was caused by the tariff reduction of 1894. The same politicians now count upon the same habit to help them again. They will hurry along their tariff act because they expect that the great exports of last year must stimulate business this year, and think that they see indications of a revival which they will pretend is all owing to their new bill. The trick may succeed again; but it is taking desperate chances, for if the revival should not come the consequence would increase the dangers which threaten us.

The men of business hold the key to the situation, and can prevent a great evil to their country. There is time to organize an opposition that will insure the defeat of this dangerous measure; for if it passes the Senate at all it must pass by a narrow margin; and there are, among the senators of the United States, enough who desire to stand well

with the business community to insure the defeat of any measure which that community thoroughly arouses itself to oppose. I ask the business community, therefore, "Will you follow the blind leaders of the blind who are bent on sowing the seeds of revolution, or will you join hands with us, who seek nothing for ourselves alone, but justice for you and for all our people?"

Future Policy.

Seeking to remove the misunderstandings which have too long been allowed to prejudice many business men against us, I have tried to show them that the best course, indeed the only safe course, for them now to pursue is to join hands with us in urging Congress not to sow more of the seeds of revolution by increasing protective taxes. Let me now try to demonstrate that in the future the true interests of the business community lie in helping us to devise the wisest and most equitable way to weed out the great evil and root of evils, Protection.

If a moderate and conservative position, if conscientious study of the case and sincerity in presenting it deserve attention, we have earned the right to a hearing from business men. I hope that they will give it; for I think that nothing except a misunderstanding as to the real facts in the case prevents a majority of our business men from joining the New England Free Trade League and helping it with their support, not merely as now to keep faithful watch and utter honest warnings, but to stand always, especially in the hour of disturbance or of danger, as a great conservative power making for justice as well as law and order.

Upon investigation, the error and injustice in the increase of protective duties will be found to differ only in degree from the error and injustice involved in their retention. In the one case protectionists openly propose to disturb business: they do disturb it in the other, though they claim to oppose its disturbance; for the truth is that the reten-

tion of protective duties cannot prevent the disturbance of business, and, in fact, is continually leading to it. Other conditions are constantly changing; and, if the tariff duties remain the same, their bearing or effect upon business is thus continually altered. Again and again the protected industries have appeared, as they recently did at Washington, to complain of the rates which but a few years before had been established at their own request. Much more reason for alteration in the tariff is there in the indignation of a people witnessing the establishment or retention of duties at the dictation of wealth. The question is, after all, the same, Whom does protection protect? If it protects but a small part of our people at the expense of the many, its retention must before long lead to serious trouble.

The Proposed Commission.

It is a favorite but meaningless phrase that the tariff should be taken out of politics. It would not be in politics if it were not for protection. There is absolutely only one way to take the tariff out of politics, and that is to take protection out of the tariff. I have no wish to oppose the plan of a tariff commission, for I doubt if it could make things worse; but would it accomplish any good? The chief good that was expected from it was that it would avert this reckless and dangerous increase of the tariff which we have just discussed, and it appears that it is no longer expected to do so. A tariff commission would be a good thing if it helped to abolish protection, but a bad thing if it didn't or if it paltered. It would afford a hearing to free traders, and I welcome every opportunity to present our case; but I do not see how any practical man, who has followed our history, can expect a commission to accomplish much. The expectation of exact protective schedules based upon scientific investigation would be disappointed, for the conditions would generally change before Congress adopted the schedules if it ever did. It certainly could not "take the tariff out of politics" if protection is increased; and, if

it reported plans for reducing or abolishing it, would "politics" in Congress accept them? Mr. Dingley recently told the truth about protective legislation with astonishing frankness.

"The work of a tariff commission," said Governor Dingley in an interview, "is of very little practical value unless the commission contains members of Congress. The bill itself must be enacted by men representing various districts and local interests. They will insist on having such a bill as they want, whether it is recommended by a commission or not. This was the case with the tariff commission of 1882. The report of the commission was not the basis of the act of 1883, and no such report is likely to exert a controlling influence upon Congress."

Mr. Dingley added that the question of a currency commission "is a different one, because it involves general legislation of a scientific character and does not directly affect local interests."

Business men should give heed to this accurate characterization. It exposes the nature of protective legislation as well as the absurdity of supposing it can be made scientific or equitable.

Yet if boards of trade, after the experience of 1883, desire another tariff commission, another dose may prove an eye-opener. Apparently children cry for it and physicians pronounce it harmless. It would do great good if it could prevent any disturbance of the tariff at present. It will do some good if it leads men to study the question, for I repeat that free traders are the best friends of the business community. We do not desire reckless tariff tinkering. To the best of our ability we plead our case whenever we can get a hearing; and we desire to see the business community free from fear of disturbance for a time in order that it may give due attention to this great question which must soon be settled. It is a great mistake to suppose that an equitable measure to reduce and remove protection would disturb the business of the country. It would, it

must, disturb some interests, though (for my part) I am willing to have them considered, and especially do I desire that the innocent indirectly concerned may not suffer with the guilty; but removal of support from interests which constitute but a very small part of our country is too much confounded with disturbance to business. It is safe to say that with an enlightened public opinion it may be so accomplished that the business of the community would not be disturbed by it.

The Real Question.

It is not now in this country a great industrial question so much as it is a great moral and social question. How can any one doubt this who reads the annual report of the Secretary of the Treasury? This year the last six or seven pages contain an examination of the extent to which our present industrial population would be injuriously subject to foreign competition if trade were entirely free. In 1886, at the request of Secretary Manning, three statisticians and economists of high standing, working by different methods and conducting their investigations independently, agreed in their estimates on this point within a fraction of one per cent. They said that at the outside that portion of our workers would not exceed six or seven per cent. Those estimates were based upon the census of 1880 and the trade of 1886. A similar estimate is made in this report, based upon the census of 1890; and it is difficult to dispute the conclusion at which the Secretary of the Treasury arrives, that the fraction of our industrial population which would be injuriously subject to foreign competition if trade were entirely free is less than six and one-half per cent. of the total engaged in all gainful occupations.

Free trade, then, promises the business community eventually its only escape from the frequent disturbance of governmental interference. It is a well-known policy of government; and its practice for fifty years in Great Britain has established its definition as firmly as usage has defined

sunrise or sunset. It means freedom from protective taxes. It is utterly useless to dispute about the designation "free trader," for protectionists rightfully do not allow any one who objects to their policy to escape that honorable title, no matter how much he protests.

For my part, I refuse to quarrel with friends about it. I have never reproached those who have abandoned our cause, though I have keenly and deeply felt the course which their good and honest hearts would never have allowed them to pursue if they had waited to reflect and inquire.

I hope they will return and that many more will come with them, for I feel that our course deserves it. Our policy has not changed, for it cannot. We cannot make changes in the laws, we can only educate public opinion to demand them. We are forced to wait, though unwillingly, for the community to regain a tranquil and reasonable frame of mind, that we may have a better opportunity to appeal to public opinion to attend to an evil which cannot much longer be safely neglected.

Abuse of Public Power.

At the League dinner of December 26 Mr. Moorfield Storey made a clear and forcible speech, which was felt by every one who heard it to be a most striking commentary upon the present situation, and I can render no greater service than to quote a part of it. Mr. Storey urged us to realize the full meaning of our movement. "We are fighting," said he, "not for a system of taxation, but for a principle of morals. The fundamental doctrine on which free institutions rest is that the power of the people must be used for public and not for private ends. Protection is not only an economic error, but a moral wrong. It is the most conspicuous out of many cases in which men derive private benefits from the control of the government. . . . Our first duty is to wage war against the use of public power for private ends under whatever guise

it appears. We must uproot, if we can, the delusion that the government is a dispenser of favors, the source of private fortunes."

And he added, "When Congress adjusts its taxes so as to benefit this or that group of men, especially when its action is affected by the political creed or the campaign contributions of the beneficiaries, the seed of revolution is sown."

I feel that those words are true and worthy of all attention, for they represent accurately both the motives which inspire us and the dangers which protection threatens. Speaking as the President of the League, I would indorse Mr. Storey's statement of the case and appeal to the business community to awake to the situation as it really is.

We appeal to all who would help in devising the most equitable way of removing protection from our tariff to join this League. A league is a union for one common purpose of individuals with different shades and degrees of opinion. It is one duty of its officers to point out the essential agreement of those who differ slightly and urge them to stand shoulder to shoulder. That object we have defined clearly in our constitution. It is not to dispense with customs as a means of revenue. It may lead to that. I certainly hope that it will pave the way later to a reform of taxation based upon the truest principles that disinterested study can discover. But now the object which unites us is simply just what we have set down, "to free our trade, our industries, and our people from all tariff taxes except those imposed for revenue only." And we can proceed by no other method than we have proposed; namely, "to enlist the conscience, intelligence, and patriotism of New England against the system called Protection, which, at the dictation of organized wealth, taxes the whole American people for the benefit of a few."

From Dr. S. A. Green
June 2, 1897

To the 24th Middlesex District.

Money is the vehicle by which exchange of commodities is made. One man has a barrel of apples to sell. Another has two bushels of corn. A third has a hat to sell. But neither wishes the property offered by the others. So they all agree to use the product possessed by a fourth and call it money. Why do they agree to this? Because it possesses certain intrinsic qualities.

1st. Its value is generally admitted by the world.

2d. It can be used everywhere at its face value.

3d. It is not perishable.

4th. It contains great value in small space and can be easily carried.

At different times, tea, wampum, cows, etc., have been used. They were perishable, fluctuate in value, and were cumbersome. Finally governments put their stamp on coins of a certain weight and measure, thereby certifying that in each coin was so much actual value. The stamp did not increase the value but merely certified to it. Like the certificate given to a man having a wagon load of hay, by the town weigher.

Gold and silver possess the desired qualities. Iron and copper are heavy and variable. Paper money has been used at many periods of the world's history. It is good when credit is good. It is a promise to pay and good only when you trust in the promissor. The greenback promises to pay one dollar on demand. The silver certificate promises to pay one silver dollar on demand. The treasury note promises to pay one dollar in coin. The bank note promises to pay one dollar. The civilized nations agreed to hold gold as the most valuable metal. China and India preferred silver, because like all barbaric nations, they preferred size to value. They liked the glitter and weight.

An ounce of silver to-day is worth sixty-five cents. An ounce of gold is worth $18.58. Four hundred and twelve and one-half grains of silver make the present dollar. Melt it and you can get fifty-three

cents in any market. The present gold dollar contains 25.8 grains of gold. Melt it and you can get one dollar in any market of the world. You can divide the silver dollar and call it two dollars. It won't be worth one cent more. Divide a pint measure and call it two pints. You won't get any more cider in your two measures than in the original pint. You can divide a bushel measure into two, but you won't get any more corn in your two new measures, each called a bushel, than in the original bushel. You cannot make something out of nothing. "The rank is but the guinea's stamp. The man's the man for all that."

In 1792 gold and silver were made the standards of value in the United States at the ratio of 15 to 1. This was established by Jefferson and Hamilton. The gold dollar contained 25.8 grains. The silver dollar 412½ grains. From 1793–1805 there were coined 1,439,217 silver dollars. In 1806 the coinage of silver dollars was discontinued by President Jefferson. No dollars were coined until 1836 when 1000 dollars were coined. From 1839 to 1873 there were coined 6,591,021 dollars. In eighty-one years to 1893, 8,031,238 dollars. The act of 1834 established the ratio of 16 to 1, and was passed with the avowed purpose of demonetizing silver. The committee reporting the act said "The desideratum in the monetary system is a standard of uniform value, and they entertained the conviction that the nearest approach to an invariable standard in its establishment is one metal, which metal shall compose exclusively the currency for large payments." This received the hearty approval of Andrew Jackson, and with the bill of 1853 demonetized silver, and intentionally made gold the standard.

In 1870 Mr. Boutwell, then Secretary of the Treasury, sent to Congress a bill revising the Coinage. Silver was omitted, except as fractional currency, as in the Bills of 1834 and 1853. The Bill was under full discussion by both houses of Congress and was passed and became a law by a practically unanimous vote of both parties on Feb. 12, 1873, after being debated and considered for three years. This is called *The Crime of 1873*. From 1878–1895 there were coined 423,289,219 silver dollars, an average per year of more than three times the total coinage of the preceding eighty-one years. More silver is mined each year than ever before. More gold was mined last year than both gold and silver before.

So much for the history of the Silver Dollar, its demonetization and alleged contraction. So far from the latter being true, the facts show that there were never so many silver dollars as at present, and that the circulation of money per head has increased from $18.58 in 1873 to $22.93 in 1895.

The fall in prices of manufactured articles and agricultural products can be traced distinctly to two causes:

1st. The use of labor saving machinery.

2d. The opening of the great wheat fields of the Black Sea, India and of the Argentine Confederation.

Twenty years ago the latter was unheard of. To-day the Argentine Territory is girdironed with railroads, bringing to the waters of the ~~Pacific~~ Atlantic, where English steamers are waiting, inexhaustible quantities of grain. But, in this fall of prices, the laboring man has gained. The man, who receives $1.50 per day to-day, receives as much as the man who got $2.50 per day in 1879. The standard by which wages must be measured is their purchasing power, and every man knows that he can buy more flour, cotton, shoes, clothing, to-day with the same amount of money than he could in 1879.

Mr. Bryan says that a man who has $100,000 invested to-day, receives $4000 per year as interest, and that he can buy much more than he could in 1879. That is true, but in 1879 he could get $6000 per year as interest. And who are the chief losers by it? Not the capitalists. They keep their money actively employed. The losers are the widows and orphans, the pensioners, the depositors in the savings banks, the holders of mutual insurance policies, the owners of small mortgages of two and three hundred dollars, formerly drawing seven per cent., now yielding four per cent.

Free coinage of silver has been made the war cry of this campaign. But, looming up out of the black clouds that gathered over the wrack and storm of the Chicago Convention, are the attacks on the Supreme Court, the censure of President Cleveland on account of his timely and lawful protection of government property, and the welfare of these United States from the mad riots incited by Debs, Altgeld and their followers in Chicago; and lastly, the plank which says that debts, no matter how contracted, shall be declared lawfully discharged, if paid in what the government, at the time of payment, may decree to be lawful legal tender. These planks, the work of Altgeld, Tillman, Most & Co., have been carefully covered with the sawdust of the Bryan, Williams, Sewall buzz saw. But they are there in flaming characters. No man can misread them. It is the Mene, Mene, Tekel, Upharsin of our own beloved country. "All ye that enter therein" must indeed answer for the consequences when the day of reckoning shall come.

My friends and neighbors, I have tried to put before you in simple form the issues of this campaign. But there remains one question, so vital, that a few words may not be amiss. Mr. Bryan has constantly spoken of "Masses and Classes," in a land where all are masses. He says that the classes have never done anything for the masses unless forced to. What are the facts? Who headed that immortal document,

the Declaration of Independence? John Hancock, gentleman, scholar, man of property. Read down that noble roll call. Jefferson, Hamilton, Adams, Oliver Wolcott, name after name of our country's best. They were fighting for the masses. When the War of the Revolution was ended, who took the helm and steered the ship of State? Washington. Who were his mates in every storm and peril? Jefferson, Hamilton, Adams. Was that class against mass?

Who made Universal Suffrage possible? The classes, according to Mr. Bryan. When slavery was rampant in the land, did the mass favor abolition? Who composed the mobs in New York and Boston? Were Grant, Sheridan and Sherman of the classes, or masses? Were Lincoln, Grant, Garfield, Hayes, Cleveland, of the classes? And, what did they say about National Honor, and repudiation of debts?

When the War of the Rebellion broke out, the first regiment fired on was our own Sixth, with Chaplain Babbidge at its head. Was this class against mass? And yet, Mr. Babbidge is one of the oldest living graduates of Harvard, of one of the Universities, peopled, according to Mr. Bryan, by sons of rich men. Does Mr. Bryan realize that the majority of students at Harvard, Yale and all our colleges, are kept in them by the self-denial of the old folks at home and their own hard work in vacation time.

When Shaw was buried with his niggers at Fort Pillow, was that classes against masses? Who inaugurated Civil Service Reform, so that a man might obtain a government position by ascertained merit, and *keep* it during good behavior and efficiency. Who inaugurated municipal reform in New York? Was this class against mass, although the mass did nothing in its behalf? Who has been the champion of restricted emigration? Henry Cabot Lodge. Is this class against mass? And, finally, when, not many months ago, Massachusetts stood in silent grief by the coffin of her honored Governor, was that class against mass? Let the memory of Frederick T. Greenhalge rise up in solemn warning, and as it looks towards the western sky, say, as was said to a far greater egotist many years ago, "Fling away ambition. By that sin fell the angels. How then can man, the image of his maker, look to win by it?"

JAMES LAWRENCE.

October,
1896.

THE SILVER DOLLAR.

The Original Standard of Payment of the United States.

Views of GENERAL MEIGS, United States Army.

To the Editor of the Inquirer:

SIR: The following private letter on the silver question, recently addressed to me by General Montgomery C. Meigs, the distinguished Quartermaster-General of the Army during the entire war, has struck me as being so original, luminous and sound, that I obtained his permission to print it. It cannot, as I believe, fail to interest and instruct your readers, and I therefore beg that you will lay it before them.

Very truly yours,

HENRY CAREY BAIRD.

Philadelphia, March 25, 1885.

WASHINGTON, D. C., March 13, 1885.

H. C. BAIRD, ESQ., Philadelphia, Pa.

DEAR SIR: My brother has sent me two of your pamphlets on the coinage question. What strikes me is a deliberate conspiracy to abolish our silver currency, whether in coin or certificates, to demonetize it by causing it to cease to exist. To increase its weight of silver from the original and thus far unchanged standard of 371¼ grains pure metal in the unit established as the unit of money or dollar in 1792, would give bondholders the right to refuse to accept it in redemption of the United States debt, and to demand the only coin which would then exist nominated on the back of the bonds as legal tenders for their redemption. This has caused me lately to reflect upon the subject of finance and currency.

I have lately met in one room several persons, Senators and Representatives. To some of them I had the opportunity to put the question, Have you for yourself ever investigated the original laws establishing the silver dollar so as to satisfy yourself as to its true history? Each and every one answered No.

The newspapers are filled with the cry of Fraudulent Dollar, Dollar of the Daddies, etc., worth only 85 cents, Light Weight Dollar, etc. This denunciation does not take the form of temperate argument, but is presented as angry denunciation.

I find the facts to be that in 1792 Congress by law fixed the coinage of money. This I understand to be the first and original law of the United States on this subject.

It ordered Gold Eagles to be worth ten dollars or 'units,' etc., and then it established the *Unit* of United States money or dollar, a coin to be of the same weight and fineness as the *Spanish Milled Dollar then current.* This was 1485-1664 fine, and contained 371¼ grains of pure silver. This legal unit remained unchanged till 1837, when by law the standard for both gold and silver was altered and made 9-10 fine.

This reduced the gross weight of the silver unit, taking out some of its *alloy*, but *none* of its silver. It still remained of the value of the Spanish milled dollar, and continued to contain 371¼ grains of pure silver. People who half read the laws are puzzled. They know that the dollar weighs less than formerly, and they are led off by the newspapers to believe that it has been debased, while in fact it has been made finer,—9-10 fine, instead of 1485-1664. Gold standard, at first 11-12, was in 1837 also made 9-10.

Now, in 1792, and the law is still unchanged, the *cent*, the 1-100 part of the unit, of the silver dollar, was established. It is a token only. One pound of copper will make 146 cents of the present pattern, while it is worth only eighteen cents as metal. Hence it appears that the cry "worth only eighty-five cents" is a fraud itself, for the unit must be always worth one hundred times its legal 1-100th part.

Gold grows scarcer; it is used in buried hoards in India, which has for centuries buried millions of dollars worth of silver annually. The Indian is now hoarding and burying gold. The native earth is the Indian peasant's bank and vault. In gold leaf, in gilding, in filling teeth, in manufacture of watch cases, jewelry and other objects of art, and in hoarding underground in India, it is stated that more gold disappears annually than all the known mines of gold now produce in a year. These uses tend to increase. Placers and veins within reach of the surface are being exhausted. Alaska, too frozen for successful working, may supply other deposits of this metal, and when we open Africa we shall find gold deposits and plenty of natives to work them. But, if within my recollection the mines and placers of California, Nevada, Montana, Colorado and Australia have been discovered and nearly exhausted, how many generations of populous Africa, directed by French, British, German and American skill and enterprise, will be needed to exhaust the mines of that continent? I, in one generation, have seen the first growth and decay of gold mines in two continents, North America and Australia. Will more than one lifetime be needed to accomplish the same result in populous Africa? Therefore, I think that it is quite possible that fifty years hence gold may be so scarce as to be worth twice or three times its present price in silver or in wheat. Shall we, then, listen to the persuasion or the denunciation of the foreign bankers who strive to secure the demonetization of silver, now honestly, legally, justly payable in redemption for our debt, and be deluded or bullied into enacting laws which will compel its redemption in gold when of twice or thrice its present value?

If we coin a heavier dollar we cannot, without breach of contract, force any bondholder to accept it. He refuses the heavier trade dollar now. He cannot refuse the *unit*, the 371¼ grains of silver, dollar. I have never, except in the laws themselves, seen this true statement of the origin and authority and constancy of the uncorrupted, undebased silver dollar, the *unit* of American legal *coinage*.

What interests me next to the curiosity of this fraud upon the people is the consequences not to the rich but to the poor. Several lines of statistical inquiry lead to the conclusion that it costs the American people 50 cents a day each, old and young, to procure the absolute necessaries of life and health. these seem to me to be food, shelter, clothing, warmth, light, five separate and distinct necessaries, without any one of which except light the body perishes. These are as necessary to the poorest as to the richest. There are fifty-six millions of people in the United States; at 50 cents each per day, they pay twenty-eight millions of dollars daily for these alone. That is 10,220 millions of dollars a year; and that is paid, not in gold eagles and half-eagles, but in silver coin dollars, the parts of the dollar, or in paper representatives of the multiples of this unit,—not in gold. What day laborer, what axeman handles gold dollars?

The foreign merchants import about nine hundred millions of goods in a year. They pay for all but a few millions by exports of equal, or in most years of greater value. The differences of accounts are settled by bills of exchange, or by transportation to and fro of gold and silver. For the more profitable settlement of their small balances, which come near to themselves, they are willing to put a clog upon the settlement of the personal daily debts of the whole people. For ease in settling ten or twelve millions of balances of trade, they will make harder to fifty-five millions of people the settlement of ten thousand millions.

It would seem that the statement of the facts would silence them in shame and confusion forever. But they do not publish the facts. Daily they renew the lie, and assert that a silver dollar is worth only 85 of its hundredth parts; cry silver depreciated, not gold has appreciated, has grown scarce. Has silver depreciated? It will buy a bushel of wheat, a commodity essential to civilized life and of uniform actual use value. A bushel of wheat will always support life for a certain fixed unchanged period of time. In a civilized community what has a more fixed and unchanging value or use? It is not like silks and cottons, hats, gloves, clothing, subject to change by the gusts of fashion; it is always so many days *life*.

Well, a silver dollar will now buy more than a bushel of wheat. We all remember the time when it took $2.50 to pay for a bushel of wheat. The silver dollar is worth much more now than then. Wheat is the standard by which the value of articles of use and pleasure and of necessity in different ages can be compared. Time was, it is said, in England when a shilling bought a cow. Then silver was very costly. It is more valuable now when it buys more than a bushel of wheat than when it would pay for only two-fifths of the same quantity.

Why should the United States buy silver bullion to coin? The law for ninety-three years has made the unit of our money 371¼ grains of pure silver coined into a certain form and size and weight. When the government undertakes to buy their silver at a lower price than its coin equivalent, in order to put its stamp upon it, it is guilty of the same oppression, if not fraud, of which an assayer would be guilty were he to insist upon being paid beyond the proper costs and reasonable profit of his busines for assaying and stamping with the device of his office gold brought to him by miners.

In California ingots of gold stamped with the seal or device of a respectable refiner and assayer, and with weight and fineness marked thereon by steel punches, are paid into banks and exchange offices as freely as coined money. The act of the United States in coining money is precisely similar. The constitution, when it gave to Congress the exclusive power and right to coin money, certainly never intended that the government should make a profit out of the miner. The whole provision was designed for the good of the people, the miner as well as the merchant or the mechanic. It was to provide a refinery, an assay and a stamping office in which everybody would have confidence. The Mint, like the Postoffice, was established for the general good, and neither should charge more than cost for its services, either may, in fact, do its work, if expedient, at less than cost if the law so provides. Therefore it seems to be the true, the honest, the correct policy for the United States to coin all silver or gold which any man wishes to have coined, and to return to him, as an assayer does, the identical metal deposited by him in the Mint, less only the wastage unavoidable in the process, and a charge barely sufficient to cover the actual cost to the United States of the mechanical operation of manufacturing *his* metal into United States coin. Why should any man be denied the *right* to have his pound of silver put into the shape of silver units of the legal weight and fineness and devices? By adopting this policy the government would do its duty and would be exposed to no risk or loss, and would make no unreasonable profit out of the miner. The present method is unjust to the miner, it taxes him excessively for having done what he has an equitable right to ask of the government, viz: putting on his silver marks indicating the actual quantity of pure metal in any piece. This tax is unequal and unjust, the miner is as much entitled to protection, to fair dealing as the merchant or broker, and when by his labor he or any other citizen collects 371¼ grains of silver the government, which alone under the Constitution has the right to put upon it the verifying stamp, ought to do this for him at the bare cost of the process. The government holds a monopoly of this business. It should do its duty honestly and at cost only. It might, if public interest required it, do it free of cost, as the coinage is a public benefit, like the post-office service on the frontier and in the sparsely settled districts. There is too much tendency in ours, as in all governments, to meddle with what is not their business and to interfere in what, if left alone, would be regulated by the people themselves, by the course of trade and by common consent. It is not the proper business of executive officers or of Congress to determine how much coin the people shall use. What right has the government to say to you or to me, you shall not be able to have in your house $500 in silver or in gold, or you shall take it only in gold or only in silver as certain executive officers, or even a Congress, think to be best. "Hands off" is the proper policy in this respect to be insisted on by the people, who are all as much interested in coinage as in the operation of the post office.

Very respectfully, your obedient servant,

M. C. MEIGS.

All the people should read the above letter from the disinterested, distinguished and patriotic citizen, GEN. MEIGS. It can be obtained at 35 cts. per huundred, or $3.00 per thousand, by addressing

JASON WATERS, P. O. Box 597, Worcester, Mass.

A FAMILY LIKENESS.

We all agree in condemning the silver purchasing clause of the Act of July 14, 1890, known as the Sherman Silver Bill, and unite in rejoicing over the repeal of it. If its folly and wrong are clearly understood by the people, they will not only be on their guard against a repetition of its faults in future, but they will also detect them in our existing laws, and demand a prompt reform.

First: Injustice.

The Sherman Act was fundamentally wrong because it was class legislation, for the favored few at the expense of all the people; and, to perpetrate this injustice, it was necessary to violate the principles of honest money and sound finance. It was intended to protect the interests of the silver producers and raise or keep up the price of their silver by forcing the nation to buy 4,500,000 ounces a month. But the burden that this purchase laid upon the people had to be concealed from them by a provision that payment was to be made in Treasury notes. These notes were merely promises to pay coin, and no adequate provision was made for the redemption of them. The bill thus greatly increased that part of the national debt which was payable on demand; and the extent to which it swelled it, in proportion to the amount of gold in the United States Treasury, became so alarming as to make the immediate repeal of the act imperative. This is not the only instance in which unjust legislation has involved a departure from sound business principles.

Second: Failure in Practice.

"Immediately following a spasmodic and slight rise, the price of silver began to fall after the passage of the act, and has since reached the lowest point ever known." (President's Message to

Congress, August, 1893.) Increased production and other influences were at work all over the world to cause a fall in the price of silver, and even this act was powerless to overcome them. All it could do was to keep silver for a while from falling as low as otherwise it inevitably would have fallen; in other words, to make the nation buy silver at a price artificially high, even although reduced from the earlier price.

But in time even this effect ceased. Not only was the production of silver over-stimulated, but the immense hoard of silver bullion accumulating in the Treasury became of itself a new threat to the silver market and a depressing influence upon the price. The unnatural stimulant which had been administered to "bull" the price of silver finally operated to "bear" it. The result was not accidental, but was the inevitable reaction which sooner or later follows such laws. Unjust laws are always unsound laws.

Third: Increase of Burdens.

Though this purchase of silver became less and less profitable to the seller of silver, it became more and more expensive and burdensome to the purchaser, the people. This Act not only made the people bear the heavy loss caused by the decline in value of the great quantity of silver they had been forced to buy, but it also made it harder all the time for them to pay for it. It provided that the silver purchases should be paid for by Treasury notes redeemable on demand in gold or silver coin; but silver declined so much in value that the silver in a silver dollar became worth only about half as much as the gold in a gold dollar. The holders of the Treasury notes, therefore, as appears by the following figures, insisted on having them redeemed in gold. Between July 1, 1890, and July 15, 1893, about $147,000,000 of these notes had been issued. The silver coin and bullion in the Treasury had in that time increased about $147,000,000, while the gold and gold coin decreased about $132,000,000.

The result was a growing danger that the government could not long maintain the gold value of our currency. The fear of this danger spread rapidly when it was found that, in order to redeem these notes in gold, the Secretary of the Treasury had been obliged

to encroach on the gold reserve of $100,000,000 set aside for the redemption of other notes. Yet this encroachment was necessary. The value of both these notes and the greenbacks rests upon confidence that they can at any time be exchanged for gold at the Treasury. If the Treasury should refuse to redeem them in gold, then none of our government currency (except what are called "gold certificates") would remain "as good as gold" or would continue to pass among our people at its former value. The holder of a dollar bill could no longer count upon exchanging it for anything more valuable than a silver coin worth, intrinsically, very much less than a gold dollar; and that coin itself, if no longer exchangeable for a gold dollar, would not be exchangeable for a dollar's worth of goods of any kind.

In ordinary times a very small part only of the business of the country requires the use of currency of any kind. The rest is transacted under a credit system which rests upon confidence that currency is easily to be obtained if required, just as the value of the currency itself rests upon confidence that it can be redeemed at will in gold. Thus a comparatively small amount of a sound currency is sufficient in times of confidence. But, when confidence in the currency is impaired, and the credit system is therefore disturbed, there is an increased demand for cash settlements, even in an uncertain currency; so that an amount of currency, amply sufficient for a great volume of business in times of confidence, becomes insufficient for the transaction of a smaller volume of business when confidence is impaired. Thus the Sherman Bill, which was intended to increase our currency, practically made currency scarce, and added to the "stringency" of the money market.

Fourth: Unsound Basis for Business.

So long as the forced purchase of silver bullion continued, the country was plainly tending toward the evils of a debased and fluctuating currency, based upon silver which had already declined greatly in value, and might decline still further.

With such a currency no man could feel sure that the dollars paid him one week would be worth as much the next week, when he should have occasion to pay them out. The lower their value fell,

the more of them it would take to support him. The nominal price of everything would be increased until we should all be doing business upon the unsound basis of greatly inflated values, and be put at a serious disadvantage in our commerce. "Given over to the exclusive use of a currency greatly depreciated according to the standard of the commercial world, we could no longer claim a place among nations of the first class." (President's Message.)

FIFTH: BUSINESS UNCERTAINTY AND INDUSTRIAL DEPRESSION.

It is no wonder that the evidence that we were rapidly approaching this danger first caused money to be hoarded, and then caused such a general destruction of confidence, such a withdrawal of both foreign and domestic capital from old enterprises and refusal to put it into new, as to shake the whole system of credit on which our people transact their business.

The Sherman Act has given us a bitter object lesson. If we would profit by it, we ought to examine its parent, which is the system called "protection." If we do, we shall find that the evils of "protecting" the silver miners by the Sherman Act bear a striking family resemblance to the evils of such "protection" as the present McKinley Tariff.

FIRST: INJUSTICE.

Both were wrong at the very start, because they were for the benefit of a favored few at the expense of all the people.

The first question about a measure called "protective" should be, "Whom does it protect?" In more exact words, "If all duties were abolished, what proportion of our workers would be exposed to the competition of imported goods produced more cheaply?"

Yet the sincere supporters of the tariff never make that inquiry. They assume without investigation that the proportion directly "protected" from such competition is large. The true answer is that considerably less than a tenth of our workers could be so exposed; and the tariff "protects" them by taxing all.

This has been demonstrated repeatedly by an examination of the tables of occupations in the United States Census and of the Treas-

ury Reports of our exports and imports. Mr. Edward Atkinson, in his book "The Distribution of Products," discusses this carefully, and sets the proportion of our workers thus "protected" at less than 7 per cent.

All the rest are either engaged in doing something that must be done here, because from its very nature it cannot be done anywhere else, or they are producing things that are produced here cheaper than anywhere else, or could be so produced if freed from the burden of tariff taxes.

Protectionists naturally avoid discussion on this point. It upsets their whole case. Every argument they make crumbles when exposed to the air in the light of this information. It upsets their theory that the tariff indirectly benefits all, which they call by the high-sounding name of "The Home Market." Of course, the protected 7 do not make the home market for the taxed 93; but the 93 are taxed and deprived of a greater market. In fact, the 93 would employ the 7 and more, too, in supplying their increased markets, both home and foreign, if our trade fetters could all be removed.

It is unjust and unsound to tax all to bestow benefits upon a few. It is even worse to sell those benefits for political support, either in money or in votes. Yet both the Sherman Act and the McKinley Tariff did exactly that. In fact, Republican senators have confessed that both acts were bound together in one trade, and that one could not have passed without the other; and their statements have not been disproved.

Second: Failure in Practice.

Both partially or wholly failed in the very objects for which they were intended. Those who passed the McKinley Bill certainly did it to raise prices by preventing competition, for they declaimed against "cheapness." In some cases they were successful in raising prices, or, what is just the same, in keeping them from falling as low as they should have fallen. But in many cases great stocks were laid in, in anticipation of the increased duties; and the competition of these stocks prevented a rise. In many cases, too, the result was that foreign manufacturers made poorer goods, in order that American buyers might buy them enough cheaper to balance the in-

creased duty. American manufacturers emulated this practice, and the inferior quality generally passed undetected except by experts.

In some lines the McKinley Tariff had the same effect that the Sherman Act had upon silver: it stimulated them until it caused what is called "over-production." That really means more than can be sold *at a profitable price.* Thus, in the McKinley Bill, also, the unnatural stimulant administered to "bull," or raise, prices operated in many cases to depress them.

There may have been some who expected that the McKinley Bill would raise wages. If so, then there is another instance of its failure in practice; for it did not raise them. It could not. As an object lesson, however, to show that our "protective" tariff does not affect wages, it is a complete success.

Third: Increase of Burdens.

We saw how the burden of the forced silver purchase became heavier on the people, although the price fell. So with the burden of the McKinley taxes. Those for whose benefit the taxes were increased failed, in many lines of goods, to get higher prices; but the increased tax robbed the people of the reduction that should have come, and that did come in the prices of other goods where the tax had not been increased. So that in one form or another the burden of the tax still rested upon the people of this country. It was even increased. The inferior goods which the new tariff had invited, and which were frequently designated as "McKinley goods," proved not to wear so well and had to be replaced sooner. The increase in the tax on various materials out of which American goods are manufactured made them cost more, and therefore limited their sale, thus depriving many American workmen of their natural employment and making it harder for them to pay McKinley prices; while the farmers, taxed on almost everything they had to buy, found it harder than ever to grow their products cheaply enough to sell them with any profit to themselves.

Fourth: Unsound Basis for Business.

The difference here is that the Silver Act was merely tending toward an unsound basis of inflated values; while the protective

tariff actually put us on such a basis long ago and keeps us there, and the McKinley Bill made it worse. The materials that are the basis of our great industries — the machinery and the buildings they use, the fuel they burn — all are increased in cost by tariff taxes. These taxes are taxes upon industry, upon production. So long as they continue, our industries must be conducted at needlessly great expense and on an unsound and artificially high basis. Every business feels the effect of the taxes on materials more or less. Railroads, manufacturers, all industrial enterprises, and even dealers have to charge an excess in price to pay for the excess in cost of their plants, materials, and supplies caused by the tariff taxes. If they could remove this excess in price, their business would increase greatly, would be even more profitable to them, and would give employment to more American workmen or increase their wages.

Eifth: Business Uncertainty and Industrial Depression.

The Sherman Act brought on a great panic in the financial world, and all kinds of industry were hampered and checked by inability to secure the needed cash or credit. The consequences of such a panic cannot be effaced in a day. But, while confidence is necessarily of slow growth, it has been needlessly retarded by the false assertions of those who passed the Sherman Act, and so launched the panic upon us. At first they tried, without producing a particle of evidence, to convey the impression that the fear of tariff revision produced the depression. But the evidence against that was too strong for them; for even the "protected" industries were prosperous until the financial panic came upon us, and its results were first felt, and most felt, among those workers who do not fear any tariff reductions. Now the tune is changed; and it is claimed that fear of the tariff revision, for which a majority of over 1,500,000 asked by their votes, prevents a revival of business. Among whom? Among the 7 "protected," or among the 93 taxed? The claim is not true. Revision will not prevent a revival of business, though obstruction to revision may delay it.

But, if the claim were true, what a complete argument against basing industries upon taxation of the people! The moment the people object and demand relief, then industries so supported are

"disturbed by the prospects of tariff legislation." Under such a system tariff taxes, it seems, may be increased, but never reduced, so long as they remain taxes. How long that must be may be seen by the claim that the McKinley increases in taxes were necessary for "protection," after all our years of high tariff.

No system of taxes upon trade, then, can afford a permanent foundation for business, because no such system is just to all the people. There is, however, a fair and business-like way to advance toward such a foundation. Let us at once do away with taxes upon the materials that are the basis of our industries and make corresponding reductions in the taxes on finished goods. Monopolists may object, as they did to the repeal of the purchasing clause of the Sherman Act. But neither then nor now ought the interests of a few to block the first step of the country toward a sound and honest basis for business. After that step we shall know just where we stand, and shall see, more clearly than is now possible, what further legislation is necessary to put all trade upon the absolutely certain foundation of justice.

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From Howard Memorial Library
New Orleans.
Oct. 1, 1895

(Leaflet No. 1.)

SOUND CURRENCY.

18

Editorials from the New Orleans Picayune.

New Orleans, August 20, 1895.

NO LACK OF MONEY FOR COMMERCE.

The Picayune has heretofore shown that the outcry for more money with which to do the business of the world is utterly baseless, for the reason that the great bulk of the world's business is done through a system of exchanges in which bills drawn against shipments of merchandise in all commerce, from that of each city and State up to that of the entire Union and all the nations that trade the one with the other, are exchanged and the balances only paid with money.

This business is done to a great extent without money, actual specie or its representative being used only to pay the differences or balances. For instance, the exports and imports of the United States in 1894, which mean all the business done between this country and foreign nations in that year, was done chiefly by the exchange of commodities, and not with money. Thus the foreign trade of the United States in 1894 was as follows:

Exports of merchandise.....	$892,000,000
Exports of gold	77,000,000
Total exports	$969,000,000

The imports are as follows for the same year:

Imports of merchandise	$655,000,000
Imports of gold	72,000,000
Total imports	$727,000,000
Balance in favor of the U. S..	$242,000,000

Here is an enormous foreign business of $1,796,000,000 settled by the exchange of products and the payment of $242,000,000; while the domestic trade, equal to $1,000,000,000 a week, or from $50,000,000,000 to $60,000,000,000 a year, is done with one-tenth of that amount in money.

But while in times of peace business is carried on with the use of very little money, it must not be supposed that no additions have been made to the stock of gold and silver. The statistics of the production of the precious metals show that there has been no lack of effort to increase the stock, and those efforts have been successful. The following figures are from the tables of the Director of the United States Mint, re-enforced by those of the German statistician, Dr. A. Soetbeer. They give the product of both gold and silver for the periods stated, the average annual output of each, and the aggregate averages. They are as follows:

Period.	Ann'l average output gold.	Ann'l average output silver.
1801-50, 50 years..	$15,750,164	$27,205,424
1851-65, 15 years..	130,428,400	40,086,400
1866-80, 15 years..	118,217,310	79,887,606
1866-93, 28 years..	117,002,855	109,391,682
1886-93, 8 years..	124,039,162	163,944,250
1891-93, 3 years..	122,667,766	197,190,666

Period.	Tot'l annual average.	Tot'l product gold, silver.
1801-50, 50 years	$42,955,588	$2,147,779,407
1851-65, 15 years	170,514,800	2,557,722,000
1866-80, 15 years	198,104,916	2,971,580,736
1866-93, 28 years	226,394,537	6,339,047,036
1886-93, 8 years	287,983,412	2,303,866,300
1891-93, 3 years	339,858,432	1,019,575,300

These figures show that from 1851 to 1866 the production of silver was far behind that of gold; but there began soon afterwards an enormous increase in the output of the silver mines which has continued up to the present, while there has been a large production of gold. The figures show that for the twenty-eight years from 1866 to 1893—the period of the so-called contraction of the currency and of falling values—the world's product of gold exceeded $3,276,000,000, while the product of silver aggregated $3,063,000,000, making a joint output of $6,339,000,000, or an excess of over $3,781,000,000, or 150 per cent, as compared with the joint product from 1851 to 1865, the period of maximum output in the history of the metals to that date, and of the inflated prices alleged to have resulted therefrom.

But commerce is not governed by and does not depend on the amount of gold or silver in the world, but upon the amount of the staple products of daily consumption which are available for the world's use, and upon the demand for them. The enormous increase in the use of labor-saving appliances for the production of all articles of consumption has greatly multiplied the supply and cheapened the cost of production. It should be remembered that, since 1860, 13,000,000 of immigrants have come into the country to add their labor to the production of wealth, and in the same time nearly 500,000 patents for new inventions for the saving of labor have been recorded at Washington.

The census shows that in the forty years from 1850 to 1890, while population in this country increased but 170 per cent, foreign imports increased 346 per cent; domestic manufactures, 820 per cent; wheat, 366 per cent; all cereal crops, 305 per cent; raw cotton, 267 per cent; horses, 278 per cent; horned cattle, not including milch cows, 221 per cent; thus showing a mean average increase of more than 200 per cent in excess of the increase of population.

But the figures giving the production of the precious metals show that the supply has increased more rapidly than has either commerce or population for the periods mentioned, and if inflation of the volume of money was the only factor in the calculation, there ought to have been a great rise in the prices of commodities, instead of a notable decline. But the simple fact is that the conditions of demand and supply are all-powerful in controlling prices. The production has been greater than the consumptive demand could take up, and that is all of it. An enormous immigration of adult foreigners and an extraordinary accession of labor-saving machinery have come together to vastly multiply the production of necessaries, and so their prices have correspondingly gone down in the market; while the system of exchanges in use for the conduct of business does away with the need of large amounts of money.

Therefore there is no sudden demand for a large volume of money. It is not needed for any purpose; nor has the reduction in the value of silver, or the alleged increase in the value of gold, had anything to do with the decline in the prices of cotton and wheat. That is plain enough.

LENDING MONEY TO CHINA.

A silverite friend wishes to know why it is that English capitalists are backward in investing money in the United States, or in United States securities, on account of the silver agitation, when these same capitalists are represented as being eager to lend money to China, which is a country on the silver basis.

The reason of this is very simple. To-day the United States finances are on a gold basis. If foreign capital be invested in this country, it will have to be in the form of gold, or its equivalent; but should the money of the country be changed to a silver standard, as seems threatened by the existing agitation, then the foreign investors could only expect their gold, interest and principal, to be paid back in depreciated silver dollars, and they would be running the risk of getting back only fifty cents on the dollar of their outlay.

In the case of lending gold to China, it would be done upon bonds made payable in gold, and when the Chinese specify gold in a contract, their English creditors would rely on getting back their principal and interest in the same metal of the same value as that loaned. In the United States, on the contrary, Congress has specifically forbidden that any gold bonds should be issued by the Government, and when foreign capitalists lend our Government gold, they take the chances of receiving payment in silver. Thus it is that there is no risk in lending gold to China, while there is a very obvious one in lending it to this great, rich republic of ours.

Doubtless this expression of preference on the part of foreign capitalists will draw down upon them vigorous condemnation from proud Americans; but, all the same, foreigners claim the right to dispose of their money at their own pleasure, and the Americans, as much as they may object to this high-handed action on the part of foreigners, have no means of preventing

the exercise of their will in the premises. Anyhow, the facts are as stated above.

TO DIVIDE OUT THE MONEY.

Hon. D. M. Kilpatrick, Sub-Treasurer of the United States, at New Orleans, has favored the Picayune with official reports of the public debt and of the condition of the treasury at the close of the month of July, 1895. From the latter is taken this interesting statement of the amounts of gold and silver coins, certificates, treasury notes and national bank notes in circulation and in the treasury Aug. 1, 1895:

	In Treasury.	Amount in Circulation Aug. 1, 1895.
Gold coin	$94,702,557	$485,778,610
Silver dollars..	371,542,513	51,746,706
Subsidiary silver	16,532,936	60,532,508
Gold certificates	219,330	48,117,579
Silver certificates	10,577,386	320,355,118
Treasury notes, July 14, 1890.	31,485,899	114,004,381
United States notes	75,331,689	271,349,327
Cur'cy certificates, June 8, 1872	120,000	56,920,000
National bank notes	5,642,488	205,729,557
Totals	$606,154,798	$1,614,533,786

The amount in circulation being $1,614,533,786, and the estimated population on Aug. 1 being 70,002,000, the amount of money in circulation to each head of population is $23 06, while the amount in the country, both in and out of the treasury, being $2,220,688,584, makes a per capita amount of $30 17. The Populists wish to increase the amount to $50 per head of population, which would mean in the country an amount of money equal to $3,500,000,000.

What is more important than increasing the actual amount in existence is to get what there is distributed. To do that would be to find the secret of creating prosperity. In default of any magical process, the only available way is to re-establish confidence in the permanence of the financial system and thus start railroad building and set to work all the wheels of commerce and industry. If all the people were at work earning fair wages that would be prosperity as nearly as any human power can create it.

Then let the owners of capital become satisfied that they can safely put out their money in enterprises and investments; let the manufacturers believe that there is going to be an early and large demand for their products, and they will buy stocks of raw material, hire full crews and set them to work; let the merchants believe that the people are to be put to work earning wages, and not only will there commence the busiest sort of buying and selling, but everybody who deserves credit will get it. The railways will then have all they can do carrying merchandise to and fro, and the farmers will find an active demand for all their products, and prosperity will indeed be in operation all over this great country.

Now, where is it all to start? In the restoration of confidence in the stability of the finances and in the ability and honest intention of the American people to pay their debts in full. When this confidence is fully established foreign and domestic capital will at once seek investment. Railroad extension will recommence. Every mile of new railway will require $60,000 to build and equip it. Every 1000 miles of such railway constructed and equipped will put in circulation $60,000,000. A fair and healthful rate of railway building is 6000 miles a year. It has been as much as twice that amount, but 6000 is a reasonable estimate, and that would put in circulation among the laborers and mechanics chiefly $360,000,000 a year. Everything that goes to make up commerce and industry will fall into line and get to work. But, as has been shown, it must all begin with confidence in the financial situation. Every business man knows this. Monkeying with the national funds is not the way to restore confidence, but it is the way to destroy it.

The way, and the only way to restore prosperity is to distribute and divide out the money now shut up in vaults and hiding places, but it cannot be divided by any forcible means. If such were attempted all the money would be hidden for good and all. The division must be by setting all the people to work. That is the only way. There is no other.

THE PRODUCTION OF WEALTH AND DISTRIBUTION OF MONEY.

The solution of the entire problem of general prosperity and the distribution of wealth is in the employment of labor. The greater the number of people employed, the greater the distribution of money and by consequence the more general the prosperity.

But in order to give employment to a great number of people there must be corresponding industrial establishments, in a word, manufactures. The South possesses every possible material and every desired condition, so far as natural endowment is concerned, but it is wofully lacking in industries. The South has abundance of iron, coal, timber and all the cotton in the country. It is able to supply every description of provisions for a vastly larger population than inhabits the country, and there is every reason that the people should manufacture, into every article of use, the material they produce in such profusion.

But they do not. The Southern people content themselves with turning out crude products and in furnishing them to the manufacturers of other States and countries. The Baltimore Manufacturers' Record, a journal which is doing an admirable work in behalf of the industrial development of the reosurces of the South, remarking upon the necessity for a great number of manufacturing industries of this section, makes some striking comparisons of the manufacturing operations of some of the Northern and others of the Southern States. These differences are illustrated by figures from the census of 1890:

States.	No. establishments.	No. employes.
Mass., R. I. and Conn.	37,122	721,097
N. C., S. C. and Georgia	10,334	117,259

States.	Wages.	Value of products.
Mass., R. I. and Ct.	$353,589,036	$1,278,997,392
N. C., S. C. and Ga.	31,733,715	141,219,151

The three New England States, with an aggregate of 3,300,000 population, employ, in manufacturing, six times as many workpeople and pay them more than ten times the wages that are employed and earned in the three Southern States which have an aggregate of 4,500,000 population, while the value of the manufactures is nearly ten times as great. This means an enormous superiority in the creation of wealth for the New England States, which actually produce nothing of the material they manufacture, but draw it all from other States and countries, and largely from the Southern States. The vast difference in the accumulation of wealth is seen in the difference in the deposits in savings banks. The following are figures for 1892-93:

States.	No. of depositors.	Amount of deposits.
Mass., R. I. and Ct.	1,663,489	$593,613,584
N. C., S. C. and Ga.	39,028	7,219,138

From this it is seen that the workpeople of the three New England States have in bank nearly one hundred times as much money as have those of the three Southern States, proving, what the Picayune has so long contended, that the producers of crude material, no matter how necessary, are merely the hewers of wood and drawers of water in the industrial world. The real creators of the greatest wealth are those who fabricate the rough products into various articles of consumption, both necessaries and luxuries.

The matter for many lectures on political economy is contained in these facts. The Southern people should think upon them most seriously.

Sound Money League of Louisiana.

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(Leaflet No. 2.)

SOUND CURRENCY.

Editorials from the New Orleans Picayune.

New Orleans, August 20, 1895.

FROM HARD MONEY TO ROTTEN MONEY.

The Democratic party used to boast of the fact that it was a "hard-money" party; it would authorize and countenance no money but gold and silver coin. Now, it looks as if some of its leaders want to make it a rotten-money party.

The ancient Democrats were opposed to all issues of paper money by the Government. How they would have howled with indignation at the idea of paper legal tenders put forth from the public treasury! Under their rule, and up to 1861, there was no such thing as legal tender money that was not gold and silver coin.

In those days there was never a dollar paid out of the public treasury that was not hard money, and the idea that the Federal Government would undertake to pay one debt with another debt, to discharge one promise to pay with another promise to pay, was, in those years before the war, preposterous, and that state of things continued until the Republican war party took possession of the Government and created by fiat legal-tender money out of nothing, or, what is the next thing to it, out of paper.

It is true that there was plenty of paper circulation before the war; but it was issued by private corporation banks, and it was not legal tender for any purpose. Nobody was obliged to take it, and the banks which issued it were required to redeem it on demand in gold, because, although there was free coinage of silver, the white metal was only used for minor payments, all large amounts being discharged in gold. The banks being required to redeem their notes on demand, exerted themselves to procure and maintain sufficient stocks of gold, and most of the reputable banks were able to keep up their credit, unless in some time of extraordinary financial panic.

But there could be no such thing as a run on the National Treasury, because it had no notes out and no pledges to redeem. Nobody could exhaust its gold, because payments were only made in gold, and all debts due the Government for tariff dues, or on any other account, had to be paid in that metal, and, therefore, nothing but hard money ever passed over the counter of the treasury. As a consequence, very little silver was handled by the Government, because there was not a silver mine in the Union, the only silver in the country being brought from foreign lands, while the rich gold mines of California had been pouring out their wealth ever since 1849, and, before that, considerable of the yellow metal was mined in the South Atlantic States along the base of the Blue Ridge Mountains. Silver then was only used for small payments and for making change.

There was no effort or apparent desire to force large quantities of silver on creditors, because there was no excessive or undue supply of that metal, and gold was so readily procured in the ordinary course of business that there was no reason to hoard it and hide it away. The finances of the country were on a gold basis, and there was no conflict between the two metals, either in financial or business circles.

Sectional political differences were based on other issues than those of finance, and, as for the respective partisans of a money metal being so furious and inflamed against their opposers as to be ready to plunge the country into civil war, that would have been considered the most absurd and preposterous statement that could have possibly been made. If the state of feeling which is now cherished by the silver partisans had been predicted at any time before the last civil war as the probable cause of another, the person making such a forecast would have been convicted of the rankest lunacy. To-day, however, the possibility of such a state of things is no longer doubted. It has actually assumed a position of probability.

It is not easy to see how the Ameri-

can silver miners have been able to convert so large a body of the American people into partisans and participants in their wild scheme to overthrow the finances of the Government; but it is quite apparent why the miners themselves are so desirous of forcing the American people to purchase their silver at a price double what it is worth in the markets of the world.

Every producer of a merchantable commodity is naturally desirous to secure the highest possible prices for his products. Naturally he would double the prices and the profits if he could; but there has been no such spectacle as a demand upon Congress by the cotton planters that the Government should purchase all their cotton and pay 12 cents a pound when it is only selling in the markets at 6; or, by the wheat farmers, that the Government shall guarantee 140 cents a bushel for wheat when it is selling only for about 70. But this is virtually what the silver miners are doing, and they have been able to array and arouse in their behalf a large body of the American people, and many of these are excited to a degree that has actually threatened war and bloodshed if their demands are not carried out.

It is not necessary to repeat here the contention of the silver partisans, because it has been stated in the public press, in public speeches, in party platforms, and in many other ways, until everybody is familiar with it. The object of these lines is only to compare the situation when there was no silver question with that which exists under the rule of the silver demand.

To-day the silver dollars of the country contain only 50 cents' worth of silver, whereas in 1861 they contained a full dollar's worth, and to-day they could not be paid out as dollars, or, rather, they would not be accepted as dollars, but for the fact that the Government has guaranteed them to be dollars. To-day there are nearly 400,000,000 silver dollars stored up in the National Treasury, when in 1861 there were only a few thousands of them, and to-day nobody is willing to handle these dollars in large quantities, and everybody refuses them if any other money is attainable.

But the most important and damaging difference between the situation to-day and that of the ante-bellum period is that in 1861 the Government had no paper notes to redeem: while to-day it owes more than $400,000,000 on demand in treasury notes, which it must redeem on sight; while it has about $100,000,000 of gold, more or less, with which to redeem them. This is really the cause of all the trouble.

Any person holding these notes can go to the treasury and demand gold, and the gold must be paid. It is true that these notes could be paid in silver, but the demand is always for gold, and, if the Government should refuse to hand out gold and pay silver instead, such an act would have a most serious effect on the finances of the nation. Gold would go to a premium, and, since the Government has no means of getting it, save by borrowing, the Government would be forced, as it was during and after the civil war, to borrow it at at the premium until it was able to recover itself by requiring that all customs dues should be paid in gold.

Gold held at a premium would at once unsettle the finances of the entire country, and the paper money would sink to the level caused by the difference, while the guarantee of the parity of silver with gold would be correspondingly impaired, and all this would happen through the free coinage of silver. The Government is not bound by law to pay gold in redemption, but it is bound by the obligation to keep up its credit, to pay what is demanded in redeeming its notes.

If there were no paper notes to be redeemed, none of this trouble would occur. The Government could always get gold enough to pay the interest on its bonds held abroad. Most of its debts would be due at home, but, above all, there would be no $400,000,000 of treasury notes to be redeemed.

This terrible and always threatening incubus could have been gotten rid of if the last Democratic Congress had only taken the necessary measures. But, so far from that, the Democrats hung on to the old Republican war money policy, and, instead of vindicating its claim to be a hard-money party, it established itself in the rotten-money ranks. Even when it is proposed to flood the country with 50-

cent dollars, there is no intention of getting rid of the paper money legal tenders, or even the silver certificates. The object seems to be to get as much of as many sorts of stuff called money as possible, the more depreciated the better for raising the prices of farm products and for paying debts. If this be the policy of the Democratic party, it will truly establish its claim to be a rotten-money party.

BETTER THAN GOLD AND SILVER.

While the political agitators and numbers of badly informed people are proclaiming that the prosperity and liberties of the American people are in danger of total destruction, and can only be saved by means of silver, Edward Atkinson, one of the ablest statisticians and political economists of the present generation, declares that the industrial and financial salvation will come neither through silver nor gold, but through iron, and he has written a notable article in the Engineering Magazine, for August, to demonstrate his declaration.

This salvation is not to come through mighty iron warships, or ponderous, far-shooting cannon; but through the fact that the enormous and constantly increasing economic uses of iron and steel will soon overtax the ability of European countries to supply the demand, and transfer that duty to the United States, which alone has practically inexhaustible sources of iron and coal.

To-day iron and steel are applied to almost countless uses, many of which a few years ago were not even dreamed of; but, of course, the greatest consumption is for railways, bridges, ships, machinery and houses, and for these purposes the demand is steadily increasing. Mr. Atkinson shows that, while the consumption of iron in the United States to each head of population in 1870 was 150 pounds, the per capita of consumption in 1890 had grow to 300 pounds.

In 1870 there were in operation in the United States 53,000 miles of railway. In 1880 the mileage had risen to 93,000. In 1890 it was 166,000. Mr. Atkinson argues that, although the silver agitation and the resulting financial panic have most seriously retarded railway extension, as it depressed and overwhelmed all business in the country, unless the American people shall destroy their national and personal credit by paying their debts with depreciated dollars, there will be very soon a great revival of business, and he holds that from Jan. 1, 1896, it will be necessary to add to the present service new railway lines to the extent of 5000 or 6000 miles annually for many years to come, and not less than 100,000 miles must be added in fifteen or twenty years.

The greatest portion of the new railway extension must be in the South, because it is the part of the country the richest in natural resouces and the most poorly provided with railways. Mr. Atkinson holds, taking Texas as an example, that there is no reason why that State should not rapidly approach the railroad mileage of other sections in the middle West, less well endowed with resources. That would require 40,000 miles of railroad in that one State, which now has less than 10,000. Alabama, Mississippi, Louisiana, Arkansas and other Southern States come into the same classification. But these are the States supposed to be most anxious to debase the currency of the country by converting it into 50-cent dollars, encouraging and enabling the repudiation of at least one-half of the public and private debts of the people.

If enough of the people of the United States should adopt such a system of repudiation as to be able to force it upon the country as a matter of national policy, they will at least have the satisfaction of knowing that they will be able to retard and prevent, to a great extent, all further railway extension in the South, since the major part of the money for building railways must come from abroad. It is, however, to be hoped that the Southern people do not propose to commit financial suicide; that they will, before it be too late, realize that the paying off of creditors with depreciated money is the wrong road to prosperity. People who are not rich enough to run their country on a cash basis should think twice before they set in to rob their creditors and cut themselves off from all future indulgence and relief.

But to come back to Mr. Atkinson's statements concerning the future supremacy of the United States in coal

and iron, he asks: "In respect to the United States, is it not almost certain that the consumption of iron will go on increasing, subject to temporary variations, in the period which will elapse between 1890 and 1900—not only in the present ratio to the population, but also in an accumulative measure corresponding to the increase per capita which was developed between 1870 and 1890.

Then he sets forth that upon the assumption the increase in the consumption of iron in the United States per capita will rise only from 300 to 400 pounds per head; then the 80,000,000 of people who will occupy this country in the year 1900 may require, in addition to our present supply, not less than 7,000,000 gross tons. And if the demand of Great Britain, France, Germany and Belgium shall increase only 20 per cent in the next ten years —1890 to 1900—that increase will create a demand, in addition to their present consumption, for 2,000,000 tons. If the consumption of the rest of Europe, of Asia, of Africa, of South and Central America, and of Australia, shall carry their demand only from 11 or 12 pounds per capita to 22 or 24 pounds, then, in addition to their present supply of 6,000,000 tons, they would require 6,000,000 more.

A summary of these conclusions will make the prospective demand of the world in the year 1900 stand as follows:

	Tons.
Present production (1890) based on the figures of 1889.....	25,000,000
Increased consumption in the United States....7,000,000	
Increased consumption in G't Britain, France, Germany and Belgium 2,000,000	
Increased consumption in all the rest of the world 6,000,000	
Total increase of demand	15,000,000
Total supply required in the year 1900.....	40,000,000

"Where," asks the statistician, "will this increasing demand be met?" It is known that Great Britian has depended mainly for fine or Bessemer metal upon the ores of Spain, near Bilbao, where the deposit is nearly exhausted. Her supply of coking coal is lessening, and the cost is increasing. When her furnaces depend upon the ores of Africa, the South of Spain, and the arctic regions of Sweden, the haul of ores to the furnaces will be more costly than from our Lake Superior mines to the lake ports or to Pittsburg. Our supply of coke is in excess of any possible demand; it is produced at much higher wages and at half the cost of British coke, mining and handling requiring very much less labor. Where, then, is the world to look for its main supply of iron but to the United States?

Iron is the most absolutely indispensable metal in the world. The human race in a civilized state can do well enough without gold and silver, but it could not subsist at all without iron. If the United States are to become the chief reliance of the rest of the world for iron, then this is the greatest source of wealth and commercial power imaginable. Moreover, it is something not so very distant either. It is a consummation that must soon come into operation.

"I beg to say that I never attended any such lecture, that I never asked any such questions, or made any such answers, as are there set forth (in 'Coin's Financial School'). It is a fabrication from beginning to end. I have had many letters from all parts of the country inquiring whether or not I was correctly reported in the alleged discussion, all of which I have answered in the negative. It is time the truth was put on foot to overtake the lie.

"Yours truly,

"New York, April 9, 1895. L. J. GAGE."

"I never attended any of the lectures referred to in that book ('Coin's Financial School') and therefore could not have used the language with which I am credited.

"Chicago, April 11. JOHN R. WALSH."

"The book ('Coin's Financial School') is filled with so many false and misleading statements that I have deemed it unworthy of notice. But I am glad to give publicity to the denial that any such lectures as are detailed in the book ever took place in Chicago, or anywhere else; and here say that I was never present at any such meetings, and that I never made any of the remarks attributed to me on page 68, or on any other page. The whole book is a clever fabrication of falsehoods. Very truly yours,

J. LAWRENCE LAUGHLIN."

Chicago, April 13, 1895.

(Leaflet No. 3.)

SOUND CURRENCY.

Editorials from the New Orleans Picayune.

New Orleans, August 20, 1895.

THE SILVER FLOOD AND THE FARMER.

When the United States mint was established by act of Congress of April 2, 1792, the Spanish milled dollar was chosen as the unit of value. It was chosen because it had a fixed and well-known worth in the chief commercial countries.

Spain owned all the great silver mines of Mexico and Peru, and was the principal purveyor of the white metal to the other nations. The Spanish milled dollar contained a dollar's worth of silver, and the act of Congress mentioned above specifies that all the other coins authorized to be made in the mint should be of the value of the amounts they called for, which plainly means that the smaller silver coins should have in them such quantities of silver as were required to make them worth the amounts they represented; that the gold coins should be worth the amounts of gold for which they call, and the copper coins should contain amounts of copper equal to the values they represented. Therefore a silver dollar actually contained a dollar's worth of silver, the gold eagle contained $10 worth of gold, and the copper cent was made of as much copper as was worth a cent.

This has always been the rule with those nations which kept their money up to the standard and did not depreciate it, and it obtains to-day in the principal trading countries of Europe. In the United States the gold coins still contain the amounts of gold worth what is stamped on them; but the silver coins are only tokens or representatives of value, while copper is no longer coined. The United States silver coins are taken in trade for what they represent at home; but in foreign countries they are only worth the weight and fineness of the metal they contain.

The large number of persons who advocate an unlimited coinage of these silver coins at their present weight and fineness desire to force upon the business of the country an unlimited amount of money which is not worth what it pretends to be, but is only representative or token currency, and could not be paid out for purchases in foreign countries except at its actual value. The silver dollars of the United States, containing only 50 cents' worth of silver, could only be made available for foreign trade at their real value, so that any person who had accepted them for his labor and his products as dollars could only spend them abroad for 50 cents, their real value.

This is the situation to-day; but so long as the United States Government guarantees, by preserving the parity of the two metals, which means that a silver dollar shall be as good as gold, it passes current at home for its face value, and when it becomes necessary to secure gold to be paid abroad, that has been got so far without having to pay a premium for it.

But it is doubtful if this parity can be maintained much longer, while a continued drain of gold to Europe is imminent, and the Government has no other means of getting gold except to borrow it upon bonds that may be paid in silver. As long as gold can be drawn out of the treasury on demand by all who have legal tender treasury notes, the Government's reserve fund is liable to be depleted, and unless the next Congress shall make some wise provision for the protection of this reserve, the growing disturbance to the finances which must result from the constant agitation of the silver question will make the difficulty of maintaining the gold reserve all the time more difficult.

It is doubtless the desire and intention of those of the silver leaders who look far enough ahead to keep before the minds of the people the hope that all the foreign debt is to be paid in 50-cent dollars. The idea has been ex-

tensively propagated that this country has been sold out to foreign creditors, and it is considered only proper retaliation and revenge to pay the "European Shylocks" off in depreciated silver in return for the gold borrowed from them.

Without worrying ourselves with any possible troubles that may come to foreign creditors in the premises, it will be of far more interest to inquire what will be the effect at home, should 50-cent dollars, through the enactment of a free-coinage-of-silver law, become the standard of value for United States money. It is conceded that some $600,000,000 of gold would at once go to a premium and cease to be reckoned as money. It is true that it would take ten or a dozen years to coin up any large amount of silver dollars to meet all demands; but the difficulty could be obviated at once by the issuance of silver certificates or paper legal tenders based on silver. There would soon be money enough in circulation to represent all the silver brought to the mint.

Would the silver paper flood increase the price of cotton and wheat? That is a boon that has been promised the farmers, and they must not be disappointed. Doubtless there would be such an increase in time; but it would come slowly, and not with the lightning swiftness that has been imagined. The farmers sell their cotton and wheat to home buyers; unless there are short crops, the advantage is all on the side of the buyers. They want to make all the profit they can, and whether they buy for home consumption or for foreign shipment, they are going to buy as cheaply as possible. Silver dollars will be dollars in name, and the buyers are not going to pay out any more of them than they can help. The buyers are going to keep down the price of wheat and cotton just as long as they possibly can, and if the crops shall be as large as usual they will be able to do a great deal.

Thus it will be realized that the prices of wheat and cotton are not going to be doubled right away, and they never will be doubled until the farmers shall be able to hold their products and force buyers up to the higher level. But with big crops, and this is the age of big crops, everything will continue, as it now is, to work against the farmers.

If the agriculturist shipped his products to Europe, he would get gold for them, and as every gold dollar would be worth two 50-cent dollars, then the farmer would gain largely by the deal. But not more than one in a hundred of the farmers ships direct. The other ninety and nine will sell their produce to home buyers, who will pay in silver, or silver paper, and the silver flood will not be so overwhelmingly beneficial as is hoped for, even to the farmer.

But the agriculturist will have another thing to trouble him. Every article used by the farmer which is imported from foreign countries, or which is protected by a tariff from foreign producers, will have to be paid for in gold, or in silver at gold valuation. These articles will have their prices doubled, and this will happen at once. There will be no waiting. This is what the farmers must expect from the silver flood in the beginning. Their expenses will increase faster than their profits.

But, finally, there will come a time when the prices of farm products will realize the full effects of the silver flood. That will be when the country is overstocked with paper money based on silver. It may take years before that stage shall be reached, when the prices of farm products will go up to the level of the money flood; but since the farmers' expenses will have gone up with the tide, and some of them more rapidly than the prices of his produbе, it will be found that he has not enjoyed the vast benefits expected. He will not even have paid off his mortgages with 50-cent dollars. He will be in just as bad a hole as ever, while the middle man and the speculator will have made all the money which they pretend is going to the hayseed man in such a hurry. That is all of it.

THE DANGER OF OBSTRUCTION.

It is becoming sufficiently evident that the danger to be apprehended from the agitation of the free silver project is not so much the enactment of any revolutionary measure as the obstinate obstruction of indispensable

constructive legislation. The silverites will not be able to direct the action of either of the two great national parties, either in their national conventions or in Congress, at any time within the calculable future; but they have now strength enough in the United States to prevent the passage of the laws requisite to the protection of the treasury and the reorganization of the present Federal banking system, and there is only too much occasion to fear that they will exert that strength with the utmost recklessness. The recent "Democratic free silver conference" at Washington adopted, among others, the following resolution: "That it (the Democratic party) should declare its irrevocable opposition to the substitution of (?) a metallic money for a panic-breeding corporation credit currency, based on a single metal, the supply of which is so limited that it can be cornered at any time by a few banking institutions in Europe and America." This declaration is awkwardly expressed, but its clear meaning is that the Government must not be permitted to retire the greenbacks and the treasury notes of 1890 with money procured by the sale of bonds for that purpose and for the further purpose of providing a new basis for the issue of national bank notes.

The same body also declared its opposition to the policy of redeeming treasury notes in gold or silver at the option of the holder, and to borrowing money by issuing bonds in pursuance of that policy. It is not probable that the recalcitrant Democrats represented at the Washington conference will be able, even with the aid of the Populites and the mining camp contingent in the Republican party, to deprive the Federal Executive of any power which it now possesses; but the combined opposition of all these elements will, in all probability, be arrayed against any plan of constructive legislation which does not include the unrestrictive coinage of silver. By "a panic-breeding corporation currency," the silverites mean simply a national bank issue redeemable in gold or its equivalent. Now, everybody knows that the present national bank issue is based on bonds which must within a few years be either paid with cash or refunded. In a very little while the country will be altogether without banks of issue if prompt measures are not taken either to continue the existing system or to provide another. It is clear that something must be done; but the silverites propose nothing but the unlimited coinage of their favorite metal. It would hardly be possible to estimate the importance of banks to a great producing and commercial country like the United States, or to adequately portray the embarrassments and losses to which its business would be subjected if suddenly deprived of those vital organs of circulation. But that is precisely the danger with which practical statesmanship has now to deal. The banking and currency systems of the United States are inseparably related. Silver dollars can still be exchanged at the counters of the national banks for treasury notes (greenbacks and the notes of 1890) redeemable in gold. That is one of the conditions upon which the parity of gold and silver dollars is dependent. The disappearance of the present banking system would entail not only the retirement of the whole volume of bank issues now outstanding, but also the depreciation of silver dollars to the limit of their bullion value.

That prospect has no terrors for the silverites. They are doing all they can to render its realization inevitable; but the Democratic free silver conference at Washington suggested no substitute for the system it proposed to destroy. The leaders of the old Greenback party will come forward with their rejected scheme, and no doubt there will be a renewed demand for the rehabilitation of the State banks as banks of issue; but time is passing, and meanwhile what decision is possible in the midst of prevalent party differences and confusion?

THE BIMETALLIC PROBLEM.

It is a significant fact that no one of the great commercial nations of Europe is at all seriously considering the project of returning to the unrestricted coinage of silver by its own independent action. In the United States, however, there are public men, enjoying a degree of popularity and distinction, who seem to imagine that the dignity of their country suffers from

every concession to the general policy of the civilized world, and who have even fixed upon the ratio at which the parity of gold and silver coins should be maintained, without consulting either the precedents of commercial history or the present condition of the markets in which the precious metals are bought and sold. The relative value of gold and silver is a consideration of vast importance to all countries engaged in international trade; but there are practical difficulties in the way to the establishment of a common ratio which seem very real, if not absolutely insurmountable, to foreign financiers, however trivial they may appear to a certain monetary school on this side of the Atlantic.

The present commercial ratio is somewhere in the neighborhood of 32 to 1. While this remains true, English creditors naturally object to the adoption of a ratio of 16 to 1, which arrangement would, in their judgment, inflict upon them a loss of 50 per cent, for they have no faith in the claim that the bullion would at once rise to the nominal value of the coin in gold. On the other hand, the adoption of the present commercial ratio as the legal ratio would meet with an equally strenuous opposition in France. The French people hold a considerable amount of silver money, which is maintained at a parity with gold at a ratio of 15 1-2 to 1. If they were doing this by keeping their mints open to the unrestricted coinage of silver they could not pass from a ratio of 15 1-2 to 1 to 16 to 1 without proportionately depreciating their silver. But, as a matter of fact, their mints are closed to silver, and they keep their coins of that metal at a parity with gold by means of a policy which is substantially the same as that pursued by the Government of the United States. The adoption of the present commercial ratio would reduce the value of their silver money something like one-half. Similar objections would be raised in other countries, and this is why no international conference has never been able to agree upon a common ratio.

There may be some ground for hope in the fact that a general international agreement is an untried experiment, but while different ratios obtain in different countries it will probably remain impossible for any one nation to keep an unlimited coinage of silver in concurrent circulation with an unlimited coinage of gold. If, for example, the mints, both of France and the United States, were now opened to the unrestricted coinage of silver the owners of silver bullion would prefer the French mints, for the obvious reason that 15 1-2 ounces of silver for 1 of gold is a better bargain than 16 for 1. In such a case, as has happened before, the whole mass of our undebased silver coinage would be attracted across the ocean. That would be the tendency, at least, as long as France could maintain the parity of the coins at 15 1-2 to 1, but that experiment would, in all likelihood, be brought to a sudden termination as soon as the French people saw that their gold was leaving the country as fast as silver was forced into their currency. They have had enough experience of that sort already, however, and are the reverse of eager for more. The assertion so commonly made by the advocates of unlimited silver in this country that France actually succeeded in maintaining a steady ratio from 1803 to 1874 will not bear investigation. M. Chevalier, who earnestly advocated the use of silver as a money metal, states that gold disappeared from France during the Napoleonic wars, and M. Giffen, an eminent English authority, asserts that gold was at a premium in that country from 1820 to 1847. Gold fell a little in 1840, but in 1841 it rose to 15.70, and did not fall to the legal ratio again till 1851. In 1852 it rose to 15.59, but in 1853 it fell once more below the legal ratio and remained below for eight years. From 1803 to the present time the ratio of 15 1-2 to 1 has overvalued gold only twenty-one years, and in all the remaining years except one, in which the commercial and the legal ratio were the same, has undervalued it. In regard to that one year (1861) there seems to be some conflict of authority, for Mr. Shaw, an English statistician who has carefully reviewed the history of the period in question, says: "At no period of time during the present century has the actual market ratio, dependent on the commercial value of silver, corresponded with the French ratio of 15 1-2, and at no point of time has France been free from the disastrous influence of that want of correspondence between the legal and commercial ratio."

Leaflet No. 4.) The Times-Picayune, New Orleans

SOUND CURRENCY.

Editorials From the New Orleans Picayune.

New Orleans, August 30, 1895.

THE DISTRIBUTION OF MONEY.

The distribution of money by the governmental agencies in the United States is enormous, amounting to nearly one thousand million dollars a year.

This distribution is made by the Federal, State and Municipal Governments. The expenditures made by the National Government for the year ending June 30, 1894, amounted to $442,605,758. The expenditures of all State, county and municipal governments for the fiscal census year of 1890, including also what was spent for education, footed up $569,252,634. Since there are no statistics of any later date for State expenditures, and since also it is not likely that there has been any special reduction in the figures since 1890, it will be sufficient for the purposes of this statement to accept the returns for 1890, and thus it comes out that the total expenditures by government agencies per annum equal $1,000,000,000.

In considering the subject of the distribution of money by the Government it must be understood that the provisions of the constitution do not allow funds to be paid out of the public treasury except to defray the expenses of the public service, for the maintenance of the public defense and for the construction of public works, such as buildings for the use of the Government, the improving of rivers and harbors used for interstate commerce, and the like, while in State and municipal governments there are also limitations set by constitutional or statutory provisions. But all public money, on general principles, must be spent for public purposes.

It must be admitted that a thousand million dollars distributed each year among the people is a pretty large sum, and for 70,000,000 of people it gives an amount for each head of population of rather more than $14 25. But it is certainly just that this money, which is raised from the people by taxation, should go back to them as speedily as possible, and it does so, since the taxes are collected and the money is paid out within the year.

The question may well be asked: What good is done by taking this amount of money from the people and handing it back to them? The chief good is that this money is taken from one set of people and paid to another set, and while, so far as the entire country is concerned, this operation is much the same as that of drawing liquor out of a cask by the spiggot and pouring it back by the bunghole, the result to individuals is of the greatest importance. This money is put into circulation. It gets into the hands of persons who otherwise would never have touched it, and it enables them to pay the costs of their living. Money is of use only as a circulating medium. Hoarded or hidden away and withdrawn from circulation, it becomes so much dead matter, performing no useful function in the economy of business and human progress.

Any proper consideration of the uses and purposes of money must satisfy the student that it is intended to pass from hand to hand as a measure and means of conducting exchanges of products and of labor, and, therefore, if a man be able to lay up wealth and accumulate a fortune, he should invest his money in productive property or industries, so that the money can go on and perform its proper functions of circulating. Nevertheless, this does not mean that men should be in a hurry to get rid of their money. They are wise to wait until they can invest it to advantage, and in the interval it may be necessary to shut it up for safe-keeping.

When, however, money is so shut up for safe-keeping, it should be of such a sort as that it will not decline in value in the meantime, and when so deposited it should come forth, worth just as much as when it was put in. No sort of depreciating currency will be fit for such a purpose.

When money is drawn from the people by taxation for public purposes it should be used strictly therefor, and not for the benefit of individuals. A bill has recently been offered in the French legislative body requiring that the Government shall furnish bread to all persons who need it. It would be far better if the Government could furnish work. That is the truest philanthropy, to help men help themselves. This keeps people self-respecting and maintains their honest pride. To give them charity when they are able to work is to humiliate them and to detract from their dignity. Of course, there are men who will not work and who want to be supported gratuitously. They, of course, are unmitigated loafers and bummers, and are usually drunkards or the slaves of some sort of vice. Such men are fit only for prisons or asylums of a sort where they can be made to do honest labor.

In this connection the thought comes up that the Government, in times of great financial trouble and industrial depression, when vast numbers of men, able and willing to work, are turned out of employment, might set them to work on public constructions, such as fortifications, for instance. It will cost $1,000,000,000 to fortify the principal seaports of the Union. There is to-day not a single coast city in this country that is decently fortified or even fortified at all, since the antiquated forts and guns which exist to-day are practically useless.

If, in such a time as was experienced in 1893-94, when so many men were out of employment, the Government had been able to set them to work on sea coast fortifications, a vast amount of good could have been done, and the Government would have got something which it needs for the outlay. If 100,000 men had been so employed, at a wage of $1 a day to each, the cost would have been $30,000,000 for a year's work of 300 days. If 200,000 men had been employed at $1 a day the cost would have been $60,000,000, which would have been a great help to the people during the depression, when the country was filled with idle men, who were living on private charity.

Such a system of government aid would only be justified in a great financial panic, an event which takes place once in twenty years, but there should be some such provision in case of so serious an emergency. Of course, the money would have to be raised by taxation, and it would be a part of the Government distribution of wealth. Of course, it would require safeguards to prevent demagogues and spoilsmen in Congress from voting away the people's taxes to their own constituents and henchmen. To spend $70,000,000 in such a work of relief would levy a tax of $1 on each one of 70,000,000 of population, but in all probability the tax would be willingly paid for such a benevolent purpose.

There are not a few people who believe that when the Government issues a paper note stamped "one dollar" and calls it legal tender money for its face value the Government actually creates something out of nothing and does not increase the public debt.

They are most seriously mistaken, for when the Government issues something of no value, or which possesses a value inferior to the amount for which it calls, the public debt is increased by so much. This is easily seen. When the Government pays out a paper dollar it is a pledge to pay a real dollar. This paper note circulates in business until somebody gathers 50 or more of them and takes them to the treasury and demands gold. The gold must be forthcoming, and then the Government discovers that it had got in debt for so many paper dollars and this debt had to be paid in gold.

It is true that the Government could force all persons who come to secure the redemption of their paper dollars to accept silver dollars or nothing for them, but it would soon exert so evil an effect on the Government's credit as that it could not borrow any more money, and if, in such an event, it were to resort to issuing more paper dollars every such dollar would, by so much, increase the debt and by so much lower the value of the paper issued. There are to-day many men who have seen greenbacks so much depreciated as that 285 cents in paper were required to pay 100 cents in gold, and the return of such a state of things is possible.

However, this has no special bearing on the distribution of money by the Government. As has been seen, the Federal, State and City and County Governments are distributing $1,000,000,000 a year among the people. In ordinary times the balance of the work of distribution can safely be left to the processes of commercial and industrial business.

A CONFLICT OF MONEY STANDARDS, AND WHAT NEXT?

If the dispute between the gold standard and the silver standard had come at some time when the people were generally prosperous, it would have caused no more commotion than was made over the tariff, or any other question of mere public policy.

But, turning up in the midst of terrible commercial and industrial depression which has paralyzed every branch of business and driven hundreds of thousands of people out of employment, converting honest and industrious working people into objects of charity, tramps and beggars, the dispute over silver has become the subject of bitter hostilities, and the pretext for a menacing and formidable political revolution.

Self-seeking and unscrupulous politicians, who care nothing for the questions of policy involved in the choosing of a money standard, and are intelligent enough to know that, no matter what sort of money may be in use, none of it can by any honest means come to them, are using the financial controversy to arouse the masses of the people, operating on the avarice and cupidity of some by offers of abundant money; exciting the hopes of the debtor classes with the promise of being able to pay their debts with depreciated dollars, and cajoling the rest with a prospect of high prices for their own products and low prices for all they have to buy, with a universal state of plenty and prosperity. It is on the tidal wave of popular interest that such politicians hope to ride into positions of prominence and control.

But the setting up of a silver standard is not the worst result that can come from this agitation. There are consequences that are vastly worse than the breaking down of the credit of the nation; that would be enormously more disastrous than the paying of debts and wages in depreciated dollars: that would be far more terrible in their effect than would be a period of debt repudiation and bad money. This is the socialistic movement that is sweeping over the country.

This financial discussion has been used to intensify the feelings of antagonisms that have grown up between the employe and the employer, between the capitalist and the workingman, between the poor and the rich. Unfortunately, all the legislation for a decade by Congress has been of a nature to aggravate these jealousies, and what legislation by Congress did not accomplish, the interpretations of the laws by the courts have completed in the direction of oppressing the people. Take the laws against trusts and combinations in restraint of trade. When they were enacted by Congress they wre supposed to be intended to operate against the mighty trusts and combinations of capital organized to crush out all competition in business and control and monopolize the markets of the country. When, however, those laws were tested in the courts, it was found that they had no power to affect commercial trusts and money monopolies, but were only useful to crush out labor strikes and to furnish a warrant for the use of Federal troops in performing the functions of a State police.

It makes little difference what may be the rights and the wrongs of these laws, and the judicial decisions by which they were interpreted, a great body of the people have come to believe that they are oppressed by them, and that all the powers of the Government are being used against the working people and in the interest of capital and wealth. This feeling of hostility to capital has been already manifested in a demand that the Government should take possession of and operate all great commercial and industrial corporations, but most particularly railways, telegraphs, telephones and the like. And while there has been no such public demand for a division among the people of all aggregated wealth, a formal claim has been made that the Government should lend money to the farmers on some very low rate of interest.

The extent to which the socialistic movement against property has been carried is much greater than is imagined, and, while it is ostensibly conducted by persons who propose to appeal for the success of their cause only at the ballot box, there is a reckless and desperate following which, impatient of the slow possibilities of constitutional methods, would be glad of

any pretext to resort to means vastly more energetic and conclusive. How great is this element of the present political complication cannot be clearly stated; but, taking into consideration the widespread industrial depression; the great and far-reaching distress among the working classes; the readiness shown by the dissatisfied element to take up arms to redress their grievances, and the expressions of social discontent that come from so many quarters, it must be inferred that this element is not small and not lacking in dangerous characteristics.

The bitter feelings that have been engendered by the discussion over financial questions are vastly more intense and aggravated than should have grown out of any mere question of public policy, and it is noticeable that in the debate, particularly on the silver side, the most violent and insulting language is used. The application of injurious epithets has naturally caused retaliation in kind; but nothing is plainer than that, on the silver side, there is an evident desire, if not intention, to carry the discussion to the extremes of violence. A recent Governor of Colorado, one of the foremost of the silver States, in a public speech declared his desire to ride to a silver victory through the blood of its opponents, and this is only one expression of a numerous class.

It looks as if violence was desired, and the first demonstration of it will, it is said, be the signal for an outbreak of a revolution more formidable than any which could legitimately and justly result from the settling up of a silver standard of money in the country.

COUNTERFEITING DOLLARS IN STANDARD SILVER.

The possibility of counterfeiting silver dollars in standard silver and of making a large profit by it has more than once been called to the attention of its readers by the Picayune.

"Standard" silver is not "fine," or pure silver, but is of that quality used by the United States mint, being 900 parts pure silver and 100 parts alloy, and technically declared to be 900 fine. This standard silver can be bought for something like 65 to 70 cents an ounce. An ounce of this silver contains 480 grains. A standard dollar contains 412 1-2 grains. Standard silver worth 70 cents an ounce would give a standard dollar worth about 60 cents. That is to say, 60 cents' worth of standard silver makes a dollar whose coin value is 100 cents.

If private persons could have their 70-cent silver coined, they would make a profit of 40 cents on each dollar; or, if counterfeiters should use standard silver, making their coins of the requisite weight and appearance, they would have a profit of 40 cents on each dollar, less the cost of making the coins, and, as their coinage would be as good as the genuine, they would be in no danger of being found out.

This matter is brought up prominently in some statements made in certain foreign journals. One of these is the Imparcial, of Madrid, which says, according to a translation reported:

> A number of 5-peseta pieces ($1) have been collected and sent to the mint at Madrid. There it was discovered that four different counterfeits are in circulation. The work is done with such precision that only experts can distinguish between the legitimate and the illegitimate coins. The material taken is of the Government standard: 900: 1000. It is impossible to say how much of this money is now in circulation, but it has been said that no less than 120,000,000 pesetas ($28,000,000) are in the hands of the people.

It is said, in this connection, that the Madrid Epoca expresses the belief that some 20,000,000 pesetas, or $4,000,000, of these silver counterfeits are annually imported into Spain; while the Fremdenblatt, of Hamburg, had declared that attempts have been made to import such coin from the United States into Germany. Thus it will be seen that silver is so cheap that the counterfeiters do not need any longer to take dangerous risks making pewter dollars. They can now make silver counterfeits as good as the genuine, and which would deceive the very elect of the United States Treasury. In all likelihood this sort of thing has been going on extensively, and the treasury people are none the wiser.

Leaflet No. 5.)

SOUND CURRENCY.

Editorials from the New Orleans Picayune.

New Orleans, August 30, 1895.

AN OBJECT LESSON IN DEPRECIATED MONEY.

It has been commonly argued that the free coinage of silver at the ratio of 16 to 1 would result, first, in driving all the gold out of circulation, placing it at a premium, and, next, in flooding the country with depreciated silver dollars.

Without doubt that would be the effect of such a consummation; but it must not be supposed that such a realization would occur at one fell swoop. The progress of the movement would require some time, and the movement would be retarded or hastened by circumstances. It should be remembered that when the United States issued in February, 1862, $150,000,000 of greenbacks, gold immediately went to a premium, and began to disappear from circulation. The first premium demanded on gold in the February of the greenback issue was 3 1-2 per cent. A dollar in gold was worth 103 1-2 cents in greenbacks.

That was not a very violent change in affairs; but in July following, $150,000,000 more of paper money was issued by the Government, and the premium on gold rose to 15 per cent. Thus, in four months from the first issue of paper, the premium on gold had reached 15 per cent, which means that 115 cents in greenbacks was required to equal 100 cents in gold. In September of 1862 the gold premium was 24 per cent; in December it was 34 per cent, and in January, 1863, it was 60 per cent. In July, 1864 the highest point was reached, when the premium on gold was at the extraordinary rate of 185 per cent, or 285 cents in greenbacks was held to equal 100 cents in gold.

All this does not mean that gold was rising in value, but only that the paper dollars were declining. There was no rise in gold in the world's markets. In London, Paris and the other money centers of Europe there was no increase in the value of the yellow metal. What had happened was that the paper dollars issued by the Government were constantly depreciating in value. It was not necessary that the gold should have been sent out of the country, except for the purchase of war material and other merchandise. Of course, foreign merchants and creditors would not accept depreciating paper money in payment. They demanded gold; but otherwise there was no flow of gold out of the country. Those who had it, and were able to hold it, hid it away, so that it disappeared wholly from public view.

As to silver, it played a very small part in the finances of the civil war. Although silver had the right of free coinage before and during the war, and up to 1873, there was no coinage of silver, save for change. There was probably not a single silver dollar in the country, although silver dollars, the result of free coinage, were unlimited legal tender. The only silver in use was small change; but, early in the war, the silver change began to disappear, hoarded and hidden away. It was hard money and always worth something, and it went into vaults and all sorts of hiding-places, so that, to take its place, the fractional currency of the United States had to be issued, and it was authorized by act of Congress, July 17, 1862.

From this it will be seen that in a little over two years the treasury-note dollar issued by the National Government sank in value from 100 cents to 35 cents, and with those enormously depreciated dollars debts and wages were paid, taking this money at its face value, while prices of all necessaries had increased at an exorbitant rate. The benefit to the debtors was only momentary, for, while they had got rid of certain debts with dollars that were worth no more than 35 to 75 cents, according to fluctuation, when they came to pur-

chase what they needed they found the same disadvantage in their depreciated dollars as was suffered by all other classes who were forced to use them for the purchase of the necessaries.

But then there is no question that the period from 1862 to 1871, when greenbacks were at a heavy discount, was a time of extraordinary speculation, and many large fortunes were acquired in that way. It was the beginning of nearly all the millionaires who have since become so prominent in the country. The vast army contracts, controlled in a great degree by political and official favoritism, offered extraordinary opportunity for speculation, and in that way immense fortunes were accumulated. The Government credit was loaned to private corporations for the building of trans-continental railways, and, while the managers of those enterprises became millionaires, the Government was left with nothing but worthless claims against bankrupt concerns.

Some theorists who long for the advent of some such period of wild speculation are never tired of singing the praises of that time of reckless trading and astounding political dishonesty which marked those eventful years from 1862 to 1871, when the colossal fabric of excessive commercial inflation, fraudulent financial operations, unprincipled trafficking, political rascality and general corruption, collapsed and fell to ruin, precipitating disaster upon all whom the cunning and conscienceless managers of so many wicked schemes were able to draw into them, while they enriched themselves upon the wreckage.

As to the farmers and the common people, they had suffered from hard times all the way through, and it was to secure some measure of relief from their troubles that the Grange movement started by the agricultural classes in 1867, to do away with middlemen in the handling and marketing of the crops, cultminated in its attacks on the railroads in 1873. That period of depreciated money was no good time for the farmers and the wage-earners. It only brought disaster to them; but it is just such a period that the speculators knowingly, and many misinformed people ignorantly, desire to have repeated.

One such experience with depreciated money should be enough for several generations of men.

SILVER, WHEAT, COTTON AND WAGES.

The demonetization of silver by the chief commercial nations was begun in 1871, by Germany, in anticipation that the empire would be flooded by the silver of the war indemnity fund paid by France. Germany's action was followed by all the other leading European nations, and the degrading of silver was wholly consummated in Europe in 1870.

In 1873 the law declaring against the coinage of silver dollars was enacted by the Congress of the United States, although previous and up to that date, in the entire history of the mint, only some $8,000,000 of such dollars had ever been coined, and there was at that time no coinage of silver dollars of any moment to be stopped by the law. In 1878 the coinage of full legal-tender silver dollars was again authorized by Congress, and the amount was largely increased by the act of 1890, and such coinage was continued until, by act of Congress, in August, 1893, the purchase of silver for such coinage was stopped, but only after more than $427,000,000 had been coined.

Soon after 1873, by reason of the action of the various commercial nations in regard to silver, there was an irregular but persistent decline in the commercial value of that metal, and almost coincident with this was a general decline in the prices of wheat and cotton.

A certain class of theorists associated this decline with that of silver, and endeavored to derive the fall in prices of those staples from the depreciation of silver. No other argument has ever been advanced for any such connection, save that furnished by the coincidence itself; but that is relied on to face out the lack of proof.

Therefore much use has been made of a table which contains in three perpendicular rows the respective prices of cotton, wheat and silver for a number of years, beginning with 1873 and ending with 1893. It has been repeatedly shown that the decline in the

prices of cotton and wheat was due to large increases in the world's supplies and decrease in the cost of production; but a coincidence of figures appears to outweigh all other facts. The list of prices alluded to is printed elsewhere in a communication, and heralded as official from the Treasury Department, but, so far as is known, was never prepared and indorsed by the Secretary of the Treasury; but it first made its appearance in a speech made in the House, Aug. 19, 1893, by Congressman Clark, a silver man, from Missouri. In all probability the prices are correctly quoted; but it is well to put things where they belong, and not to complicate them with the Treasury Department.

A few words as to the growth of the production of wheat and cotton in the past four or five decades is worth attention. In a speech by Congressman Allen, of Nebraska, Oct. 7, 1893, on the condition of the farmers, the world's production of grain in forty-eight years—that is, from 1840 to 1887—has not only been constantly increasing, but has kept ahead of the population. The total production is given as follows, in million bushels of grain, chiefly wheat:

	1840.	1860.	1887.
Europe	3,212,	4,046,	5,588,
United States	616,	1,240,	2,586,
Other countries	291,	464,	948,

The number of bushels to each head of population is given as follows:

	1840.	1860.	1887.
Europe	14	15	16
United States	36	38	42

From the above it will be seen that the production of grain has constantly increased, and that more rapidly than the population, and, as a consequence, there must have been a steady decline in the price after it once set in. Not only has labor-saving machinery for harvesting grain been in use in the United States, but such American machinery is largely exported to Europe, and even to India and Australia. The grain countries of the world have in the last twenty years been brought into close competition, and, by consequence, the price has been steadily reduced. It is a plain matter of production and competition.

The increase in the production of cotton has for a number of years been steadily increasing, and in a large proportion, too, and it should naturally have affected the markets. The world's production of raw cotton has been given by Baines for a number of years past, and the figures following, from his statistics, were given in Congress in October, 1893, by Mr. Allen, of Nebraska, in his speech on the condition of American agriculture. In view of the fact that the United States furnishes two-thirds of the world's cotton, the American product is of the first importance; but since there are other sources of supply, they must also be taken into consideration. Beginning with 1860, the production of cotton is stated to be as follows, the figures showing millions of pounds of that staple:

	Millions of Pounds of Cotton for the Years Named.			
Countries.	1860.	1870.	1880.	1888.
United States.	1,880,	1,540,	2,593,	3,420,
S. America	90,	270,	86,	85,
Egypt	51,	240,	282,	290,
India	420,	625,	540,	888,
Oth'r countries	100,	100,	100,	100,
Totals	2,541,	2,775,	3,701,	4,973,

From this it will be seen that the production of cotton has increased in eight years, from 1880 to 1888, to the extent of more than twelve hundred million pounds, or, allowing 450 pounds to the bale, the increase was 2,800,000 bales in those eight years. In most of the succeeding years the American crop has not only largely increased, but the crops of 1891, 1892 and 1894 were phenomenal, and, under the circumstances of an excessive supply, it would have been truly astonishing if there had not been a most decisive decline in the price, without regard to silver or anything else.

But, while flour and all things made of wheat, and cotton goods and all things made of cotton, have necessarily shared in the low prices of those staples, there has not been any universal lowering of prices. For instance, wages are a good gauge of the general condition of business, and while the prices of the articles mentioned have declined, wages have as steadily gone up. The Senate Committee on Prices, Wages and Transportation of the Fifty-second Congress has furnished some interesting figures. Taking the average of wholesale prices of necessaries, and the average of wages in 1860, as a starting point, and rating

them each at 100, it was found that, in spite of the fluctuations of prices, there has been a general advance of wages. In 1873 the scale of wages had risen from 100 in 1860 to 148. After some fluctuation, wages in 1883 stood at 153, and in 1891 at 160, and wages are at gold figures at that. They did not follow the decline of silver. In contrast with the table of prices published in the communication on the coincident decline in wheat and cotton with silver after 1873, it will be interesting to note the prices of those articles for the ten years preceding 1873. They are as follows, from the report of the Senate Committee on Prices, Wages and Transportation. They are given at the request of a correspondent. The prices of wheat and cotton are in greenbacks, and those of silver in gold:

	Wheat Per Bushel.	Cotton Per Pound.	Silver. Per Ounce.
1863	$1 25	54c	$1 34
1864	1 72	72c	1 34
1865	1 25	33c	1 33
1866	2 20	32c	1 33
1867	2 30	15c	1 32
1868	2 05	16c	1 32
1869	1 45	25c	1 32
1870	1 40	15c	1 32
1871	1 45	15c	1 32
1872	1 65	18c	1 32

It should be remembered that the price of wheat was in greenbacks, which, from 1862 to 1873, were at a large discount, which in 1864 was as high as $2 80 for $1 of gold. The cotton prices are also in greenbacks, and, if reduced to gold prices, they would be vastly lower. But the prices of silver are quoted in gold, the great Nevada silver mines not having flooded the country with silver, and the demonetization process not having commenced until 1871-73. The figures would be more interesting if they were all reduced to gold; but they are not instructive, because the American war had produced a cotton famine in all manufacturing countries, and had created an unusual demand for wheat for the armies, the amount destroyed being often greater than that consumed for food in a given time. The prices of some period of ordinary trade are alone useful in giving trade conditions.

[Preamble, French Monetary Law of 1876.]

"The events which have happened for some time past in the relations of the precious metals have brought to a head the monetary question amongst us, although from 1815 Great Britain has laid down principles which have attracted round her an ever-increasing circle of nations.

"The theory of the double standard, on which our monetary law of the year XI. (1803) reposes, has been called in question ever since its origin.

"It is, to our conception, less a theory than the result of the primitive inability of the legislators to combine together the two precious metals otherwise than by way of an unlimited concurrence—metals, both of which are destined to enter into the monetary system, but which recent legislators have learned to co ordinate by leaving the unlimited function to gold alone and reducing silver to the role of divisional money. From 1857 the French Government has studied the question, and it may be stated that since that date the principle of the gold standard has won increasing favor through our several administrations.

* * *

"If from 1874 certain precautions had not been taken to arrest the efforts of that grave perturbation in the ratio, France and her monetary allies would have seen their monetary circulation invaded by silver and correspondingly drained of gold."

Sound Money League of Louisiana.

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(Leaflet No. 6.)

SOUND CURRENCY.

Editorials from the New Orleans Picayune.

New Orleans, August 30, 1895.

THE LAW OF DEMAND AND SUPPLY

In the effort to associate the decline in the price of cotton and other American farm products with the decline in the value of silver, what is a mere coincidence has been mistaken for a consequence.

The price of every article of large consumption depends on the simple conditions of demand and supply, and in all articles of universal consumption the world's demand and supply are the conditions which must be taken into consideration. Cotton and wheat are articles of universal consumption, and the prices of those products must be controlled by the available stocks and the amount consumed. This is a law so well established as that it would be useless to dispute it.

Let it be understood, in stating this law, that if the population of the world increase in a greater ratio than the articles of general consumption can be produced, then prices of those articles will go up. If, on the contrary, the production be in a greater proportion than the increase of population, the prices of those products will decline. Moreover, in the first place, agricultural products are of a nature that will not permit of their being stored up and kept for long periods without undergoing rapid deterioration, and, in the next, farmers are usually compelled by their pecuniary needs to sell each crop as soon as it is ready for market. But even if agricultural products were not generally of a perishable nature, the law would remain unchanged, nevertheless the necessity for marketing a crop promptly emphasizes it.

It is a well-established fact that the increase of population is more rapid in the United States than in any of the countries of the Old World, and this is so because this country is not to any extent affected by the two conditions which are so potential to decrease population. One of these is the existence of an ultra-fashionable class of population which revolts against the trouble and care of children, and the other is a very poor class which cannot afford the expense of supporting large families. The United States is not affected to any appreciable extent by the presence of these conditions, and, by consequence, the birth rate is greater here than in any if the old countries.

Moreover, an enormous influx of population from other countries combines with the birth rate to assist a most rapid increase of population, which may be taken at 3 per cent a year, or 30 per cent for each ten-year period. It used to be 35 per cent for ten years, but in the last decennial period it fell to 24 per cent; but, for the purposes of this argument, it may be taken at 3 per cent a year. No other old country will show anything like that rate; but by way of illustration the rate of increase for the whole world may be taken at 15 per cent in ten years.

If it shall be found that the world's population is increasing at the rate of 15 per cent in ten years, while the production of necessary agricultural products are steadily increasing at a much greater rate, then it is inevitable that the prices of those articles must decline. When the necessaries of life are cheaper, people will consume more of them; but this increase of consumption is limited and can never go to the extent of riotous extravagance, because there would be no object in it. Intemperance in the use of bread and shirts is a most unlikely happening. Having ascertained a fair rate for the increase of the population of the earth, it will be well to compare that with the rate of increase of such necessaries as cotton and wheat. Elissem's tables, London, 1895, will be useful. He gives the world's cotton crop by decades, as follows:

COTTON CROP IN BALES.

W'ght of bales. Pounds.		1850-60.	1860-70.	1870-80.	1880-90.
480	United States	4,675,000	3,156,000	5,757,397	7,313,729
400	East India	1,813,000	5,448,000	1,117,000	1,806,640
700	Egypt	118,750	322,878	407,263	544,853
225	Brazil	77,175	221,800	189,923	280,700
160	Other countries	57,550	158,750	237,950	248,212
	East India home consumption.....	160,000	210,000	559,000	900,000
	Total	6,901,475	9,517,428	8,259,533	11,108,131

From this it will be seen that from 1880 to 1890 the increase in cotton production was over 30 per cent, while the increase in population could not have been more than 15 per cent, and probably not over 10, for the increase in the United States had fallen off rapidly. If there were already as much cotton as was needed for the consumption of the world, to increase it at a rate vastly greater than that of population must of necessity produce an overstock, which would result in a proportional fall of prices.

It has been the same way with wheat. In the past two decades vast areas hitherto uncultivated have been opened to the growing of wheat. Irrigation in the Western part of the United States, the extension of railways and the introduction of steam plows and ingenious harvesting, threshing and separating machinery, have enabled the same outlay of capital and labof greatly to increase the production of grain in the United States; while Europe and India have increased their facilities, and the Argentine Republic and Australia have come in as new competitors for wheat growing. In Australia, the Government Agricultural Commission reported that wheat could be made at a profit when sold at 31 cents, while in Argentina it pays expenses at 25 cents a bushel.

The simple fact is that, by means of improved methods and multiplied facilities, the crops of products of universal consumption have increased more rapidly than the population that is expected to consume them, and the result is a steady and persistent fall in prices. This is in accordance with the law of supply and demand, and it cannot be evaded without producing its effects.

WHERE THE GOLD IS.

In this wonderful commercial age, as has been repeatedly demonstrated from indisputable facts and figures printed in the Picayune, the great bulk of business is not done with money, but with a system of exchanges after the manner of the clearing-house methods used by city banks to settle the daily balances due from one to the other in the course of their large transactions.

The amounts due from each bank are set against the amounts due to each one, and, the differences being determined, each debtor bank settles with its creditor bank by paying those differences. Thus the amounts of actual money paid in these settlements do not usually exceed one-tenth of the whole of the daily transactions. There are in the United States eighty cities and towns where the associated banks makes their settlements, the one with the other, by the clearing-house plan.

The returns of these transactions are made up for each week, and they show an average amount of business passing through the banks representing those eighty clearing-houses of about $1,000,000,000 a week, demonstrating that this enormous volume of business is done, not by the transfer of $1,000,000,000 each week in money, but by simply exchanging checks and paying the differences, which commonly amount to one-tenth of the whole. In

this way $100,000,000 in actual money is all that is required to conduct a business of ten times that amount.

In much the same way the vast commerce between nations is carried on. The various products and other sorts of merchandise are shipped and bills of exchange are drawn against these shipments. The bills for shipments from and to any two countries are balanced, one set against the other, and only the difference is paid by shipping gold. Thus the foreign trade of the United States in 1894 was as follows:

Exports of merchandise.....	$892,000,000
Imports of merchandise	655,000,000
Aggregate business $1,547,000,000	

The difference between exports and imports was $237,000,000, and about that much in silver and gold was required to carry on the business. From the above it will be seen that the amount of actual money required to carry on the vast business, not only at home, but with foreign countries, is very small in comparison with the volume which is actually in existence. But, of course, there must be money somewhere to back up the transactions that are done wholly on credit. An exchange of bills and bank drafts is not a credit business, for it is virtually an exchange of the products for which the bills and drafts stand; but when notes and obligations payable at some future time enter into business, then credit becomes an important factor, and there must be money or some species of wealth to back up this credit.

Moreover, in time of war, or of great public disturbance, by which credit is damaged and public confidence destroyed, it is plain that there must be solid money somewhere. In any great public disturbance this sound money is always gold. The statistics of the United States Mint Bureau, made up to August, 1894, give the amount of gold money in the world at $3,901,900,000. The distribution among the various nations is also given, showing that the principal holders are, in round numbers, as follows:

France $800,000,000	
United States	661,000,000
Germany	618,000,000
United Kingdom	540,000,000
Russia	422,000,000
Austria-Hungary	124,000,000
Egypt	120,000,000
Australia	105,000,000

No other country is credited with as much as $100,000,000. Some little time ago the Picayune was asked as to the amounts of the European war hoards of gold. This information is now given from a table entitled, "The Gold Stores of the World," by A. Ellissen, London, printed by Effingham Wilson, Royal Exchange, 1895. It shows the amounts of gold in national treasuries and banks in September, 1894. The amounts given are in pounds sterling, but for practical purposes they can be reduced to dollars by multiplying by 5. This table will be useful for reference during the financial discussion, and is worth attention.

Gold of the world in banks and State treasuries, September, 1894:

Bank of England	£38,711,100
English joint stock and private banks	9,266,000
Scotch and Irish banks	8,183,274
Bank of France	76,238,720
Other French banks	16,345,100
German war treasure	6,000,000
Imperial German Bank	28,689,550
German banks issuing notes	4,771,860
Other German banks	7,564,000
Imperial Austro-Hungarian Bank.	13,531,000
Imperial Austrian treasure	16,435,000
Imperial Russian Bank, including State treasure	97,209,000
Other Russian banks	3,200,000
Bank of Spain	7,963,000
Other Spanish banks	.....
Italian State treasure	3,245,900
Italian banks	14,225,900
Bank of Amsterdam	4,150,000
Other Dutch banks	1,250,000
Bank of Belgium	3,964,600
Other Belgian banks	972,240
United Swiss banks	3,155,582
Swedish State Bank	911,690
Swedish National Bank	433,480
Bank of Norway	1,900,850
Bank of Denmark	2,944,900
Bank of Roumania	3,225,000
National Bank of Greece	1,754,000
Turkish banks	2,750,000
Servian and Bulgarian banks	390,000
Egyptian banks, State treasure...	15,000,000
Algerian and North Africa banks..	1,256,000
Cape of Good Hope banks	4,500,000
United States Treasury	12,399,674
United New York banks	18,373,700
United States county banks	8,560,000
Canadian banks	1,250,000
Central American and West Indian banks	600,000
States of River Plate banks	7,500,000
West and North Coast of South America Bank	3,000,000
British Indian Native Princes' Treasure	1,750,000
Chinese Imperial treasure	12,000,000
Australian banks	26,264,926
Japanese State Bank and Treasury.	13,750,000
	£502,895,524

As only an amount equal to $2,014,477,120 was at that date stored up in banks and national treasuries, while the total of gold money in the world is put at $3,901,900,000, the balance

of $1,887,422,880 is in circulation among the people or is hoarded up by them, and this gold, for the most part, will never come out until the pressure of war or some other great disturbance shall bring it out. It is not needed in ordinary business.

SILVER AND THE SUPPLY OF MONEY.

The main inducement paraded before the masses of the people why they should advocate free coinage of silver is the immediate expansion in the circulating medium, which the silverites claim free coinage will produce. A superabundance of money is a tempting bait to hold out to the people, particularly to the Western farmer whose farm is burdened with a mortgage, and to the Southern cotton planter whose cotton has sold for less than the cost of production, because of the excessive supply grown during 1894; but will free coinage of silver lead at once to a more plentiful supply of money, to higher prices, and to all the lesser benefits promised by the silver agitators? Can they guarantee the fulfillment of such promises? These are pertinent question to which the people should demand an answer.

In the first place, the statistics prove that money is by no means scarce, and, consequently, it is false to allege, as do the advocates of free coinage, that the existing financial system of the country has contracted the circulating medium. During 1894 the average circulation per capita was $24 30, the average amount of money in circulation being $1,661,835,674. There was, therefore, more money in circulation last year than ever known before, and not only was the total the largest, but the circulation per capita was also the greatest on record. It should also be remembered that actual money is now less essential as a medium of exchange than ever before, because bank checks, bills of exchange, drafts and the like were never so extensively used as now, and their employment unquestionably adds materially to the capacity of the circulating medium.

As to the promise of the silverites that the immediate effect of the passage of a free-coinage bill would be to make money plentiful, there are many prominent men throughout the country who believe that an exactly opposite result would take place. Thus, for instance, Postmaster Washington Hesing, of Chicago, in an interview, is quoted as saying:

> The passage of a free coinage bill would not make money cheap, but dear. The very moment such a bill were passed, the $14,000,000 of gold dollars now forming the basis and support of our circulating medium would be withdrawn from all monetary uses, and we would be immediately upon a silver basis. Untold millions of our securities would return to this country, prices would everywhere be depressed, stringencies would follow, which in turn would be succeeded by panic, and that panic would mean absolute ruin. Labor would everywhere be idle, and idle labor means the ruin of the little shopkeeper, which in turn means largely decreased profits to the middlemen and wholesale merchants, who, in turn, would be compelled to throw themselves upon the mercy of their bankers.

It is admitted, even by prominent advocates of the free coinage of silver, that the first result of such a change in our monetary system would be the withdrawal of the gold in the country from circulation, either by hoarding or by being shipped out of the country. The disappearance of the gold would mean the withdrawal of $630,000,000, or very considerably more than a third of the total amount of money in circulation. This deficit could not be immediately supplied, except by unprotected paper, because, even if the mints of the country were run to their full capacity, it is scarcely possible that they could coin more than $80,000,000 per annum, if they could turn out even that much.

The first effect of the passage of the free-coinage bill would, therefore, in all probability, be a violent contraction of the circulating medium, with high money rates, a fall in the prices of all staple products, and corresponding reduction in wages.

Whether, therefore, the immediate results of free coinage in the probable contraction of the circulating medium, or the more permanent effect in the flooding of the country with a debased currency, be considered, the prospect is equally unpromising. In neither case will the masses realize their fond dream of a superabundance of sound money, which is the tempting but delusive bait held out to them by the silverites.

(Leaflet No. 7.)

SOUND CURRENCY.

Editorials from the New Orleans Picayune.

New Orleans, August 30, 1895.

DEPRECIATED DOLLAR PROSPERITY.

A few days ago, at the request of a correspondent, the Picayune printed a statement said to have been made by President Andrews, of Brown University, Rhode Island. It was considered to be worth special attention, because Mr. Andrews was one of the commissioners to the late bimetallic congress at Brussels.

The particular expression which was supposed to be worthy of note was in reply to a question as to what would be the effect of free coinage of silver if inaugurated by the United States alone, without waiting for a like action by the commercial countries of Europe. The doctor is credited with the declaration that "the immediate result would be a tremendous revival of business and restoration of depressed values. Money hoarded in banks would be turned loose. We would wrest from Europe most of the trade with silver countries. Our factories would be worked to their full capacity. All of our gold would pass to Europe, but we would not need it, and, if our example were followed by Europe, we would never have any backset over it."

As the doctor is evidently a most zealous advocate of the free coinage of silver, his predictions as to what would be the result of free coinage will doubtless have great weight with others of that persuasion. Among the blessings which are to happen will be the total disappearance of gold, which will leave this country and be shipped to Europe, while business in this country would be brought to a silver standard, gold going to a premium.

This would be, to a large extent, a repetition of what happened after 1862, when the United States Government, having no other money, issued $300,000,000 of greenbacks. The first issue was $150,000,000, in February of that year; another of like amount followed in July. Gold at once went to a premium, which in July, 1862, was 14 1-2 per cent. In September it had got up to 24 per cent, and in December to 34. January, 1863, opened with a gold premium of 60 per cent. The gold premium held on its way until it reached its highest point in July, 1864, at 185 per cent. That means that it required $2 85 in greenbacks to equal $1 in gold. During 1865 the gold premium had declined, but it ranged about 140 per cent, and it gradually went down until it disappeared with the resumption of gold payments in 1879.

When gold went to a premium there was no upward rush of prices in greenbacks. Several years of experience were required to educate the people that the purchasing power of a greenback dollar was really diminishing. For instance, in 1863, when gold had advanced 100 per cent, making the value of a paper dollar just 50 cents, the price of wheat in the country was $1 25 in paper; but in gold it was no more than 62 1-2 cents a bushel. In 1864, when it required $2 85 in paper to equal a gold dollar, wheat sold at $1 72 a bushel, equal to about 60 cents a bushel in gold. In 1865, when about $2 40 in paper was held to be equal to $1 in gold, wheat sold at $1 25 a bushel, about equal to 50 cents in gold. In 1866, with the gold premium at $1 20, wheat sold at $2 20 a bushel, or about 99 cents in gold. The farmers had begun to realize that they must keep up with the gold procession. They had been at first highly pleased with the paper money which would pay gold debts, dollar for dollar; but when they discovered that its purchasing power was greatly impairel, they found it necessary to raise their prices to meet the standard of the gold dollar, so that in 1867 wheat went up to $2 30 in paper, although the gold premium was slowly declining, except when raised to exorbitant figures by

the operators in some Black Friday speculation. In 1868 wheat sold for $2 05; finally it worked its way down with the gold premium, when in 1879, at the time of specie resumption, it sold as low as $1 10 per bushel.

The period of greenback inflation was one of extraordinary activity in speculation, and it was the beginning of the great millionaires. Up to the time of the civil war the great fortunes were made in dealing in real estate, like that of the Astors, or in selling merchandise, like that of A. T. Stewart. But after that came the age of speculation, when millionaires sprang up on all sides. That is what Dr. Andrews takes for prosperity; but it is a prosperity in which the rich grow richer and the poor poorer. It was the sort of prosperity that created an army of tramps and laid the foundation for all the labor troubles that exist since. It is a prosperity that begins by paying out depreciated dollars, which furnishes extraordinary opportunities for those who can take advantage of them, and creates land barons, money kings and vast commercial monopolies.

But it appears to be what the people want, and, if they do, they will certainly have it.

FINANCIAL HERESIES THREATEN DANGER.

The financial panic of 1893 came immediately upon the transfer of the political control of the United States Government from the Republicans to the Democrats, and the Republicans took advantage of the opportunity to declare that this was the worst time ever known in this country, and that it was directly due to the change in the political administration.

The people who started this gross and false distortion of facts knew perfectly well that they were propagating a shameful falsehood, but they realized that it would exert a powerful effect upon the masses of the people to turn them against the Democratic party, and for that reason the outrage upon truth was started and persisted in, until it created a violent and powerful revulsion against the Democratic party, and in the congressional elections which followed caused its overwhelming defeat.

Every person who gives any consideration to the facts of the case knows perfectly well that the causes which brought about the panic and the subsequent industrial depression were all put into operation under Republican domination. The Republican billion dollar Congress, under the control of Speaker Reed, had closed out the large cash balance which President Cleveland, at the close of his first term, had left in the national Treasury, while the gold reserve had sunk so low in President Harrison's administration that the Government, for many months, was actually living from hand to mouth. When the financial crash came, as all prudent financiers foresaw it was bound to come soon after the incoming of a Democratic administration, it was easy enough to raise an outcry and set the suffering and unthinking masses of the people against the new administration.

It will be interesting to examine the facts of some of the former financial panics in the United States and compare them with that of 1893. They were in the following years, namely: 1837, which broke up the entire financial system of the country; 1847, 1857, a light one in 1867, whose effects were postponed by the civil war here and the great wars in Europe, until 1873, when a financial crash fell upon the country which caused every bank to suspend payment and wrought tremendous havoc in the trade and industries of the countries. Then came the panics of 1883 and 1893.

It appears from the statistics of financial collapses that they come with regularity every twenty years, while every ten years there is a depression in business which does not reach the extent of a grand crash. The regularity of these troubles is only disturbed by wars in this country or in those of the great commercial nations of Europe. Some notion of the comparative severity of the various periods of financial disaster may be gained if we compare the movement of the liabilities in the failures of critical years in the United States. In round numbers they were $292,000,000 in 1857, dropping to $97,000,000 the next year. They were $228,000,000 in 1873, averaging about $200,000,000 for six years during

the adjustment to the specie basis. Then they were again below $100,000,000, but in 1883 were $226,000,000, dropping to $124,000,000 the next year. But in 1893 they rose to $331,000,000. The volume of business had greatly increased in each successive decade, and if the failures were $292,000,000 in 1857, they ought, in a period of nearly forty years, to have been many times more, so that for the financial panic of 1893 to have been as serious as that of 1857, or that of 1873, the failures should not have stopped at $331,000,000.

But it suited the Republicans to charge all the blame for the financial troubles, which they had created, upon the Democrats, and like tactics were adopted by the enemies of both Republicans and Democrats to charge it on both. The three-headed controversy has finally turned upon the financial situation caused by the panic, and as the result is, the financial question has become the issue of the day in all parties.

The next national campaign will be made upon it, both Republicans and Democrats catering to the demand of the Populists for an excessive inflation of the currency. The only proper condemnation which ought to rest upon the Democratic Congress and administration is for their utter and complete failure to reorganize and reconstruct the financial system so as to secure a thoroughly elastic currency, which would expand to meet all demands of active trading and would contract to safe limits when a financial storm threatens.

If this had been done it would have overshadowed the silver question entirely. The people really do not care for silver, a fact established by the experience of the country since the first coinage of silver dollars. The people will not and never would handle these dollars. They prefer notes on a solid basis.

But Congress, with a weakness and fatuity akin to insanity, refused to take one single step towards remedying the evils, which, in a season of active trade and speculation, must always result from an inelastic and ironclad limitation to the issue of money, and, as a consequence, the Democratic party was overthrown and the people are carried away by financial heresies which threaten to wreck the public finances and private business before they are done with.

COUNTRIES ON A SILVER BASIS.

There has been a great deal said theoretically about the benefits to be derived by the people at large if the finances and business of this country were brought to a silver basis; but, unfortunately, theory is a most uncertain dependence upon which to base an argument.

If it were possible to present an object lesson in the fact of the condition of such countries as use the silver standard, something might be learned more reliable than the teachings of theory. As there are such countries, it will be worth while to examine them.

Of course, there are China and India, the great absorbers of the world's silver; but they are among the oldest countries in the world, and it would be most unfair to offer them as examples of what would result to a new country full of resources, like the United States, if it should come to a silver basis. It may be well to note, however, that, according to a statement prepared by the Bureau of the Mint, India, with a population of 287,000,000, has $950,000,000 of legal-tender silver and no legal-tender gold. This gives 331 cents to each head of population, while wages are only a few cents a day. China, with 403,000,000 people, is credited with $725,000,000 of legal-tender silver and no gold, giving to each head of population 180 cents, while wages are also only a few cents a day. As a matter of course, in such countries the masses of the people are extremely poor and can furnish no criterion for any state of affairs that might exist in the United States, and these countries are merely mentioned in passing.

The conditions are vastly different in Japan, which has taken on all the characteristics of European civilization, and in its recent war with China has shown itself to be one of the most powerful of the modern nations. But Japan is not a silver country, like India and China. On the contrary, it is on a gold basis, and has a good financial standing. It is credited with 40,-

400,000 of population, and has $80,700,000 of gold, $65,000,000 of full legal-tender silver, and $16,000,000 of limited legal-tender silver. Its stock of money is $28 94 per head of population. These statistics read like those of a European country.

But there are silver countries in the New World, countries that are rich in natural resources and have furnished a vast deal of wealth to the world. The first of these is Mexico. There is no more richly endowed country on the globe. The mountains of Mexico are filled with silver, while gold is not lacking. With fertile valleys and every sort of climate, from temperate to tropic, there is scarcely any agricultural product that is not found there. Vast forests of rubber, mahogany, rosewood and other trees of like value are sources of inexhaustible wealth, and, if the native population is deficient in energy and enterprise, foreigners, attracted by the liberal encouragement offered by the Government, are swarming in the country to operate its industries.

According to the figures of the Mint Bureau, Mexico, with a population of 11,400,000, has $5,000,000 of gold and $50,000,000 of full legal-tender silver, besides $2,000,000 of uncovered paper money. All these give a per capita of $5 of wealth. It is easy to see that the people are poor. When it comes to wages, there seems to be no efficacy in silver, for they are very low. In a volume issued on Mexico, by the Bureau of American Republics at Washington, July, 1891, pages 106 and 107, a table of the daily wages of all sorts of laborers, skilled and unskilled, is given, and the figures range from 37 1-2 cents to common laborers up to 150 cents to mechanics. There are some figures that are higher, such as $1 75 to machinists, $2 to printers and coachmakers, and $2 50 to blacksmiths. No American laborer in the several classes mentioned would for a moment consider such wages.

Not a gold coin circulates in Mexico, while the Mexican silver dollar, which contains just six grains of pure silver more than ours, is the measure of all values there. The mint circular, declaring the actual value of all foreign coins, under date of Jan. 1, 1895, puts the Mexican dollar down as worth 56 cents. The production of the precious metals in Mexico is, of gold, about $1,000,000 a year, and of silver about $60,000,000. The total yield of gold in Mexico from the beginning of European domination, in 1521, is about $287,000,000, while of silver it is placed at nearly $4,000,000,000.

Another example is the South American Republic of Argentina. It is named from silver. This is a rich region in the south temperate zone, and is already a large producer of wheat and other grain, and exports them to Europe. Argentina for a number of years has enjoyed a large immigration from Europe, amounting to more than 650,000 in five years.

The finances of the country have long been in a shocking condition, silver and gold money having virtually disappeared, a flood of uncovered paper money fearfully depreciated in value being in common use. A report on Argentina, issued in 1892, from the Washington Bureau of American Republics, says of the masses of the people: "The material condition of the working classes in the Argentine Republic cannot be said to be satisfactory. The cost of living in the towns is very dear, as regards rent and imported articles; but cheap as regards meat and necessary food. In the country, living is extremely cheap and bad. Wages are low, and there is little demand for labor, except for necessary purposes."

There are more of these silver countries, but they need not be mentioned. They are at the best in a backward state. Their inferior condition need not be attributed to the silver standard of their money, and, perhaps, ought not to be; but the fact remains that all the silver-basis countries are in a general state of depression. That is probably merely a coincidence; but it is a very striking one, and calculated to set thinkers to work.

Leaflet No. 8.)

SOUND CURRENCY.

Editorials From the New Orleans Picayune.

New Orleans, August 30, 1895.

GOVERNOR O'FERRALL FOR SOUND MONEY.

The Governor of Virginia, Hon. Charles T. O'Ferrall, has recently written a four-column letter to the Richmond Dispatch declaring his devotion to sound-money principles.

Governor O'Ferrall was a member of the Fifty-third Congress, the one in which the active and revolutionary movement in favor of the free and unlimited coinage of silver was made, and he at that time took part with the silverites. But since then he has had time to study the subject and has finally reached, by able and conclusive arguments, the solid ground of sound-money principles. As Governor O'Ferrall's arguments are able and vigorous, a somewhat extended statement of them will be valuable in the campaign of education which is being so successfully made throughout the country.

The American Union of States produces a very large surplus of the necessaries of life, and, in order to find a market for these articles, a foreign demand must be sought and courted. The chief articles of export are grain, cotton, pork and beef, all the produce of American farmers; petroleum, the outflow of American oil wells, and timber, cut out of American forests.

Are these articles sold to countries on a silver basis? Is it in the silver-money nations that the American farmers and other American exporters find their chief trade and most numerous and extensive customers? It may be surprising to some to know it, yet it is an incontrovertible fact that gold-standard countries furnish 87 1-2 per cent of the international commerce of the world, and that about 94 per cent of the exports of the United States are to countries having a gold standard, and about 80 per cent of American imports are from countries having the same standard.

Then, asks the Governor of Virginia:

> Shall we cut loose in our monetary system from these countries of such commercial power and with which we have such close, important and extensive relations, to which we sell nearly all the surplus products of our farms and factories, and of which we buy nearly all we want, and attach ourselves to the small and weak nationalities to which we sell scarcely anything, and from which our purchases are absolutely insignificant?

Free coinage advocates, however, insist that our exports and imports are so small that we can afford, for the sake of free coinage, to build a wall around ourselves and have no commercial dealings with other countries.

This is a strange position for any Democrat to take in view of the late discussions of the tariff. What are the facts? I cannot go far into statistics, and will only give the following:

In 1893-94 896,131,725 bushels of wheat were produced, of which 37.20 per cent was exported.

In the same year 7,527,211 bales of cotton were produced, of which 4,047,211 bales were exported.

Exports.	
Tobacco in different forms, $39,155,442	$28,942,454
Bacon, pork and lard	84,475,505
Butter and cheese	9,835,000
Petroleum	42,142,058

Total value of exports of all kinds from the United States 1894 ..... $880,204,937

Of these about 94 per cent, or over $800,000,000 were to countries having a gold standard.

Total value of imports of all kinds into the United States in 1894, $654,994,622—lower than for years on account of financial stringency. Of these about 80 per cent, or over $500,000,000, were from countries having a gold standard. Of our entire exports 74 per cent consists of our agricultural products.

It is a fact that the entire continent of Europe, Canada, Brazil, Chili and Australasia are on the gold basis. These countries, with the United States, furnish virtually all the international commerce of the world—87 1-2 per cent, or seven-eighths. Mexico, Central America, most of the South American States, India, Ceylon, Japan, and the Straits settlements, are on a silver basis, and supply 12 1-2 per cent. or one-eighth, of the international commerce. What possible inducement is there that the United States should abandon the money system in use by all the great nations of the earth, those which lead in civilization, in manufactures, in commerce, in financial standing and in political and military power, to place itself on a level with a small group of weak and unsettled countries in Central and South America, and with ancient and rotten Asiatic despotisms, like India and China?

Of course, there is a consideration which has been offered as an induce-

ment to the American people to discard the sound-money policy and to adopt, in its stead, rotten or depreciated money. It is twofold in its character. It includes two distinct promises; but, unfortunately, one contradicts the other. These two inducements are, first, that with such means every man who is in debt can pay off those debts with depreciated money, the more depreciated the better. Fifty-cent dollars are too good for such a purpose. When it comes to getting even with creditors, why not create some sort of dollars that are only worth 10 cents each, but are legal tender?

Of course, if Congress will only make a law creating such depreciated dollars, and declare them to be legal tender for the payment of all debts, it is plain that the creditors who should wait until such a law had been passed would not be able to help themselves. They would be forced to accept the rotten money or get nothing. But would they sit still while legislation was being prepared to beat them out of their money?

Does anybody suppose that, when such damaging arrangements were in sight, the mortgage holders and bondholders would sit idle and take no measures to secure themselves against a storm of repudiation? Persons who have never been in debt may harbor such an absurd notion, but nobody else will cherish such a childish expectation. At the very first sign of free silver, or of any other sort of rotten money, the courts of the country will be deluged with lawsuits for foreclosure of mortgages, with writs of attachment to secure payment before the assets could be virtually moved out of a sound-money era into a rotten-money period.

But suppose, for the sake of illustration, that the creditors quietly submitted to be paid off in depreciated dollars, and that the farmers no longer owning anything, are ready for the reign of high prices for their products. What, in all probability, would then happen is graphically set forth by Governor O'Ferrall. Says he:

> Would free coinage of silver give the people a silver dollar as valuable in its purchasing power as any other dollar? It would not. Silver cannot be appreciated in price in the markets of the world by an act of the Congress of the United States merely any more than can a bushel of wheat. Congress may resolve from year to year that 371 1-4 grains of silver shall be worth 100 cents, when its market value is only 50 cents; and it will not make other countries recognize and receive it except at its value measured by their standard, any more than a declaration of Congress that a half-bushel measure shall constitute a bushel would make a half-bushel pass for a bushel in the London wheat market.
>
> What, then, would be the result of an independent free coinage act? A depreciated silver dollar. What next? Higher prices. The farmer would get more silver dollars for his products, but he would pay more silver dollars as taxes and for his agricultural implements, merchandise and labor. A silver dollar would have perhaps one-half of its present purchasing power, half the purchasing power of a gold dollar. Prices would fluctuate according to the fluctuations of silver, and there would be no stability in the market price of any product, commodity or thing. Wheat, corn, oats and cotton, horses, cattle, sheep and hogs would not only depend in price upon the supply and demand, but upon the price of silver, in this silver, monometallic country. The value of real estate would change almost with the moon, and as frequently as the changes in the market value of silver. Uncertainty and instability would attach to everything, and all values would be speculative. Under such conditions there could be no substantial progress. The silver mine owners and stockholders could luxate or depress the prices of the farmers' products and speculate to their hearts' content upon his labor.
>
> Would wages increase correspondingly with the cost of living? Those of us who passed through the war will remember that, while the price of every commodity increased as Confederate money depreciated, there was no corresponding increase of the laboringman's wages, and that he was put off from time to time with the assurance that conditions would improve, but these promises were never realized, though he continued to hope, even when it cost him a day's labor to buy a pound of coffee. With a depreciated and uncertain dollar the laboringman could make no permanent contract; he could enter into no engagement for the future, for he would not be able to fix any price for his labor.
>
> Double prices in 50-cent dollars would certainly give the farmer no more than present prices in 100-cent dollars. Double prices of the necessaries of living for himself and family would mean injury to the laboringman, whose wages would not be doubled.
>
> If there is anything in connection with government next to liberty itself, in which the farmer and wage-earner are most interested, it is in an unfluctuating market, steady wages, and sound money; for when markets are unsteady, wages unsettled, and money unsound they become the prey of speculators and sharp traders, who watch the trend of affairs and study the chances while the farmer is following his plow or the wage-earner doing his task.

Anybody should be able to understand such plain talk about matters that must come home to every man who works for wages or a salary, and who has a family to support. Of course, these words are not addressed either to millionaires or tramps, but to the masses of the people. Every man who lives upon his earnings wants them paid in money that is good for all it calls for, and is good for that everywhere. That is the only sort of money a poor man can afford to handle.

But there is another important point that may not strike home to the working people, but it will seriously affect the commerce of the country and the honor and credit of the country. The indebtedness of the United States is large; the annual interest upon her bonds heavy. She is pledged to pay in sound money. She can only raise money by customs duties and internal revenue taxes, principally by the former. With silver monometallism, all her revenues would be paid in silver, the cheaper money. How could she get sound money with which to keep faith with her creditors? By going to gold-standard countries and purchasing gold, with silver if she could, at a premium of 100 per cent (two for one) or more. She would be placed in the humiliating position of begging for the money of other countries to pay her obligations at home even, as well as abroad.

Again, our exporters would have to pay their duties in gold and pay the premium to get it, while foreign exporters would pay their duties to us in depreciated silver money. We would pay gold—sound money—to foreign Governments; foreigners would pay silver—cheap money—to our Government.

These are not all the points made by Governor O'Ferrall, but they are the most important and the most interesting. What he has said will have a large influence in his State. It will go far towards educating the people of this country wherever it is read. It is sound doctrine, and will prove most valuable in a campaign of education like this.

THE DECLINE OF SILVER.

The Picayune has received the following inquiry from Mr. B. W. Bailey, of Winnfield, La.:

If the fiat of law adds nothing to the value of gold, and the intrinsic value of an article remains unchangeable, why is it that the commercial price of silver and other commodities have steadily declined through a period of years since 1873, while the price of gold has not shared equally in these fluctuations of the markets?

This correspondent assumes conditions wholly suppositional, and proposes them as a basis upon which to explain certain existing facts. Since much information could be got from the study of the facts themselves it is difficult to see what good could come from any attempt to explain those facts upon any gratuitous assumption or theory.

The Picayune, in its issue of March 28, endeavorded to explain, in response to inquiries of Mr. Bailey, that any money metal is affected by the laws that elevate it to or degrade it from the functions of money. It has little to add to what it said on that occasion, which was to the effect that if gold were demonetized by all commercial nations it would in all probability have no other value than that given it by its uses in the arts, and these would be the economic purposes which gold could fulfill better than could be done by any substitute, which would, indeed, be the measure of its intrinsic value.

It would be very unsafe to contend that intrinsic value is unchangeable, since some other article might be discovered which would most satisfactorily answer all the purposes of the original at a cheaper rate. Therefore the assumption that the fiat of law, or, what is of still greater force, the consent of all commercial nations, cannot affect the value of a money metal and that the intrinsic value of an article is unchangeable under any circumstances, are unsafe foundations upon which to base a theory.

Better than endeavoring to explain the decline of silver upon the basis of theoretical conditions, is to examine the history of that decline.

The mint rate used in the coinage of silver is 129.29 cents per ounce of pure metal. For forty years, from 1833 to 1873, the price of silver in London per fine ounce was above the mint rate. In 1857 it reached 139 cents, and in 1872 it was 132 cents per ounce, ranging in all that period from a fraction of a cent to as much as 5 cents an ounce above the mint price. The price advanced most from 1850, after the discoveries of gold in California and Australia, the production of gold having, from 1850 to 1860, been treble and quadruple the amount of silver mined. In 1852, and for years after that, the world's production of the precious metals was as follows:

Year.	Gold.	Silver.
1852	$132,750,000	$40,600,000
1853	155,450,000	40,600,000
1856	147,600,000	40,650,000
1862	107,750,000	45,200,000
1866	121,100,000	50,750,000
1871	107,000,000	61,000,000
1873	96,200,000	81,800,000
1878	119,000,000	95,000,000
1882	102,000,000	111,800,000
1888	110,197,000	140,706,000
1891	126,184,000	186,447,000
1892	138,861,000	196,450,000

From this it will be seen that there have been great fluctuations in the relative supplies of gold and silver, and that their values have been largely

governed by those supplies at different periods. The enormous production of gold in California and Australia raised the price of silver after 1849, and kept it up until the opening of the silver mines in Nevada, in 1870. These were the richest silver mines in the world. Up to 1860 the silver product of the United States had been inconsiderable, less than $100,000 a year; but in 1864 it rose to $11,000,000. In 1871 it had more than doubled, reaching $23,000,000. In 1874 it was $37,000,000. In 1878 it had risen to $45,000,000. In 1888 it was $59,000,000; and in 1891 it was more than $75,000,000. Thus, in less than thirty years, the silver product of the United States was increased tenfold, and that of the world nearly fourfold.

Whether it was alarm at the large increase in the production of silver, or the result of having received a large part of its war indemnity fund from France in silver, need not be considered; but Germany, in 1871 and 1873, adopted such legislation as accomplished the demonetization of silver, making gold the standard of money value and calling in all silver coins. To procure the gold necessary for the purposes of this act, Germany sold, between 1873 and 1879, large amounts of silver bullion in other countries. The result of this was to produce a sudden demand for gold and to place silver at a discount. In 1872 Norway, Sweden and Denmark entered into negotiations to join in adopting a gold standard of money, which was subsequently accomplished. Holland, in 1875, stopped the coinage of silver and settled on the gold standard.

The decline in silver made it profitable for parties to purchase it in Germany and ship it to the countries comprising the Latin Union, and these, finding themselves flooded with silver, in 1878, closed their mints to the coinage of free legal-tender silver. Russia, in 1876, suspended the coinage of silver, except to such an amount as might be necessary for the purposes of trade with China. In 1879 the free coinage of silver was suspended in Austria-Hungary, and in 1892 the gold standard was adopted in that country, for the consummation of which, it may be remembered, the United States treasury furnished the gold. England, the greatest commercial and financial nation of them all, had long been on a gold basis, but used large amounts of silver for the Indian and Chinese trade.

While all this was in progress in Europe, the United States could not but be interested, and in 1873 Congress passed an act prohibiting the coinage of legal-tender dollars, but authorized the coinage of trade dollars and the coinage of a large amount of subsidiary silver money. In 1878 the coinage of full legal-tender silver dollars was authorized and the purchase of silver for the purpose was ordered. This power was enlarged by the act of 1890. Under these laws were purchased, for coinage into legal-tender dollars, 459,946,701 ounces of pure silver, and this, in the form of dollars or of silver certificates, is legal tender money of the United States.

In the face of these facts the commercial value of an ounce of fine silver in 1874 fell below the mint value, and it has constantly declined to the present day. The decline was primarily the result of the remarkable yield of silver in Nevada, which had the effect of inducing legislation by the commercial countries of the world. If the nations which took the hostile action against silver should all agree to undo it, and to restore the white metal to relations of parity with gold, such action by them could, in all probability, accomplish it; but for the United States to attempt it alone would not have the desired effect. The United States being, to a large amount, a debtor nation, cannot dictate to its creditors as to the sort of money they shall accept. It must either pay what they demand upon the usage of nations, or it will be guilty of partial repudiation should it attempt to pay in money not worth its face value in Europe.

"I beg to say that I never attended any such lecture, that I never asked any such questions, or made any such answers as are there set forth (in 'Coin's Financial School'). It is a fabrication from beginning to end. I have had many letters from all parts of the country inquiring whether or not I was correctly reported in the alleged discussion, all of which I have answered in the negative. It is time the truth was put on foot to overtake the lie.

"Yours truly,

"New York, April 9, 1895. L. J. GAGE."

"I never attended any of the lectures referred to in that book ('Coin's Financial School') and therefore could not have used the language with which I am credited.

"Chicago, April 11. JOHN R. WALSH."

"The book ('Coin's Financial School') is filled with so many false and misleading statements that I have deemed it unworthy of notice. But I am glad to give publicity to the denial that any such lectures as are detailed in the book ever took place in Chicago, or anywhere else; and here say that I was never present at any such meetings, and that I never made any of the remarks attributed to me on page 68, or on any other page. The whole book is a clever fabrication of falsehoods. Very truly yours,

J. LAWRENCE LAUGHLIN."

Chicago, April 13, 1895.

Leaflet No. 9.)

SOUND CURRENCY.

Editorials from the New Orleans Picayune.

New Orleans, September 4, 1895.

THE CONDITION OF BIMETALLISM.

Every dollar of United States money is the equal of every other, both in debt-paying and in purchasing power, in every part of the country. This is certainly not in itself a fact to be regretted. If there was absolute certainty of its continuance, it would be difficult to suggest an improvement.

This parity of coins of different metals of very different value as bullion is the triumph of the system known as bimetallism. That system prevails in France, Germany, Austria-Hungary, Spain, Belgium, Switzerland and Italy, as well as in the United States. In each of these countries a limited amount of silver is employed as an unlimited legal tender. In each of them silver money is kept at a parity with gold; but, with the exception of the United States, there is no bimetallic country in which the project of the unlimited coinage of silver, without an international agreement, is at all seriously considered.

On the other hand, there is no country anywhere in the world that has succeeded in keeping gold in circulation concurrently with an unlimited coinage of silver. It is easy enough to dispute a theory, but this is a stubborn fact. The limitation of silver is the condition of its parity and currency with gold. Sooner or later every bimetallic country reaches the point where it must either close its mints to silver or part with its gold. Wherever there is gold it will serve to float a certain amount of silver. All the so-called gold countries, Great Britain, the Netherlands, Norway, Sweden, Denmark, use silver money, though only as subsidiary coinage and a limited legal tender. But all the silver countries—that is to say, all the countries admitting silver to unlimited coinage—use silver only. They are as bare of gold as if they had attached a heavy penalty to its employment.

It may be difficult to fix the precise limit, but there are some warning signs which will not fail to appear when the danger line is no longer distant. When gold is hoarded, when its exportation becomes excessive, when it is withheld from the collectors of the ports, it is time to call a halt. Mr. Cleveland, during his first administration, admonished the country of the disastrous consequences which would in his judgment ensue upon the continued purchase and coinage of silver. When he went out of office, 90 per cent of the duties collected at New York were paid in gold; but, two years later, there was a marked decline, and by the end of 1892 only 8 per cent of the Government's revenue was paid in gold. When he returned to office, that 8 per cent had dwindled to 4 per cent. For two months prior to the call of the extra session of 1893 the treasury received no gold whatever from the port of New York. Meanwhile $190,000,000 was drawn by depositors from the United States banks, and no one knows how much was drawn from the savings banks and other banking institutions. Speaking on this subject at the time, Mr. Reed, of Maine, said: "The first element of dissatisfaction and doubt which pressed itself upon the people was the fact that there was a continuous and unaccountable drain of gold. That drain of gold amounted in round numbers to a very great sum, so nearly equaling the amount of the issue under the Sherman law that it seemed almost conclusive that the displacing of currency which was happening was on account of the issue under the Sherman law, because it seemed to be driving out the same proportion of gold which was the equivalent of its own amount."

The vitality of the general principle thus illustrated has been demonstrated again and again in the history of the world. It has been notably demonstrated in the his-

tory of England and of France, and more than once in the history of the United States. When either gold or silver has been undervalued by the ratio fixed by law in any country, the undervalued coins will retire from circulation in that country if the coinage of the overvalued metal is continued beyond a certain limit. France is a bimetallic country, and her people have always held silver in high esteem; but France discontinued the coinage of silver in 1874. Why? Senator Teller, one of the ablest and best-informed of the advocates of the unlimited coinage of silver in the United States, answered this question plainly enough, in the course of a speech in the United States Senate, last January. "The Latin Union," he said, "became disturbed. France said, 'We are not going to take the four or five millions of German silver and put it into (our) silver, and give them gold for it,' and the Latin Union closed her mints; that is, France and Italy and the other countries belonging to the Latin Union, France being the only real factor in the matter, closed their mints to the free coinage of silver, and we had closed ours. What would have been the result if we had not closed our mint to silver? In the first place, France would not have closed hers." The admission here is clear. France was afraid to admit the German silver to her mint, lest it should expel a corresponding amount of gold. Mr. Teller furnished another example of the same principle when, referring to the excitement which followed the great gold discoveries in California and Australia, he said: "In France, when it looked as if gold, coming in such great quantities, might destroy itself and might fall in value, and so disturb exchanges, and when many Frenchmen said, 'You can no longer maintain the bimetallic standard; you must adopt the silver standard,' as Germany did adopt it, the financiers of France said, 'No; we must make a way for this gold; we must put it in the currency of this country and absorb it, and get rid of our silver,' which, for the time, was the highly-prized and valuable and the honest money of the world. I will not say in a year, but in a little while, they put into the circulation of France $500,000,000 of gold, and they shipped out quietly to other countries who preferred it that amount of silver, and gold maintained its purchasing power practically, with small fallings, because of the wisdom of France."

Mr. Teller had something else in view; but he let the cat out of the bag. France put into her circulation $500,000,000 of gold; but, at the same time, "shipped out quietly to other countries who preferred it that amount of silver." She did not undertake to absorb that immense sum without making room for it. After all, then, it is a mistake to suppose that it is possible to keep an indefinite amount of both metals concurrently in circulation. The French financiers had confidence in gold, and the event justified their expectation; but they understood that they must give up a proportionate amount of silver, and they governed themselves accordingly.

A great commercial country can absorb and retain in its circulation a considerable amount of overvalued money; but its absorbing power is not unlimited. When the limit has been passed, the inferior metal expels the superior, and then sinks to its bullion value. The Mexican dollar has reached that point. It bears the Government stamp, and it is legal tender. Silver is an unlimited legal tender in Mexico. It is the "money of ultimate redemption," the "primary money" of that country. There is no other money there, and that is precisely what is the matter with it. Gold has fled from that field, and there is nothing to lift the silver above its market value as bullion. Why should it, and how could it, then, occupy any higher level? The United States dollar, with less silver in it, is worth about twice as much, exchanges for nearly twice as much; but the United States dollar is a legal tender with gold, and the gold is here to be used interchangeably with it. That makes all the difference. Increase the amount of silver in this country beyond the limit of absorption, and it will drive away the gold. Then perforce it will stand simply on its own merits, and will pass here for what it is worth in the markets of the world. Open the mints of this country for an unlimited coinage of silver, and Mexico, induced by the present superior rating of the

United States dollar, will pour her silver into our circulation as France feared that the German silver would be poured into hers. Other silver countries will follow the example of Mexico, and thus the difficulty of absorption will be vastly increased. The consequence will be a lapse from bimetallism, with all our dollars at a parity, to monometallism, with silver as the exclusive metal.

GOVERNOR STONE'S SOLID FINANCIAL POSITION.

The Picayune, on Sunday, printed a letter from Governor Stone, of Mississippi, addressed to a prominent citizen of that State on the silver question.

Governor Stone, who is nearing the end of repeated terms of able service in the executive office of Mississippi, is a candidate for the post of United States Senator to be made vacant by the approaching expiration of the term of Senator George, who declines re-election. The Governor has been questioned as to his position on the silver problem, and his letter was a reply to questions on the subject.

The Governor's statement of the subject is remarkably sound and able. He is, in the truest sense and in the only sense that bimetallism is practicable or possible, a bimetallist. He plants himself on the national Democratic platform which declares for the restoration of silver as standard money and for its equal coinage with gold; but recognizing that, by the action of the great commercial nations of the world, silver had become a depreciated money metal, it was necessary, in order that the United States shall preserve, untarnished and intact, its national credit and the implicit confidence of the nations which are its creditors, that the Government shall maintain and constantly preserve every dollar of its money issue up to the highest mark of value.

The Government has pledged itself to make and keep its silver dollars on a parity of value with its gold dollars, so that, under all circumstances and at all times, the dollar of the United States shall mean 100 cents of money. To accomplish this with the largest use of silver possible under the circumstances is the only bimetallism that is possible, and that is just where Governor Stone stands and just what the national Democratic platform declares for.

According to a recent report from the Bureau of the United States Mint there is in the Union, besides what is in the National Treasury, including what is in circulation and what is stored up in banks and private hoards, money of various sorts, as follows: Gold, $661,000,000; silver, $624,000,000, and paper notes issued by the Government, $469,000,000. This makes a total amount to each head of population of $26. The question is: Can the United States, after guaranteeing the full value of the $469,000,000 of its paper money, guarantee any more silver than it is bound for?

If so, then let silver coinage be carried to such an amount as will make a safe limit within the means of the Government to maintain its guarantee and preserve the parity of the two metals. The paper notes are wholly credit money, and are only valuable because the Government guarantees that each dollar of that paper shall be equal to 100 cents in gold. The silver dollars, which are worth as to the metal they contain, only about 50 cents each, become credit money to the extent of the other 50 cents which they have lost. The Government has obligated itself to maintain each silver dollar at a value of 100 cents, and the deficiency of the commercial value of the metal must be made up by the Government credit.

The question then is repeated: Is there now the largest use of silver that the Government can prudently undertake to guarantee, or would it be wise to issue more and still be on the safe side? This is the position of the true bimetallists; it is the doctrine of the national Democratic platform; it is the solid and logical position of Governor Stone, of Mississippi.

The statesmen who have been intrusted with the management of the national finances have declared that the safe limit has been reached in the coinage of silver, and they ought to be the most competent authorities in the premises. The Fifty-third Congress, which represented the popular feeling and belief on this subject, refused to authorize any further considerable

coinage, and it must be accepted that Congress was convinced that the safe limit had been reached. That Congress was overwhelmingly Democratic, and it must be conceded that it expressed the established Democratic doctrine.

If the chief commercial nations would, by United action, re-establish silver as a full legal-tender money, there would be no trouble to be apprehended from the free coinage of that metal; but the United States cannot with any safety undertake it alone. Least of all others can the United States afford to try the experiment, because, being a debtor nation and constantly owing more money in Europe than it can pay for with its products, it becomes necessary to pay a large balance in money which must be gold, because the creditors demand it.

Those people who are now loudly demanding the free and unlimited coinage of silver at the present ratio of 16 to 1 are not bimetallists, but silver monometallists, for the result of the consummation of the policy which they propose would drive gold money out of circulation and leave silver as the only hard money in its stead. To establish a depreciated money in place of 100-cent dollars would be the worst thing possible for the farmers and for all who have products to sell. In this connection the words of Governor Stone to the agricultural classes are full of wisdom. He says:

> Of all the people, the cotton planters should weigh more carefully the arguments of those asking them to enter upon this entirely novel and overwhelmingly important departure in trade and finance. Their interests are magnified by the fact that they sell over two-thirds of their cotton to gold money countries. The fact of setting up silver monometallism would be to permit foreign customers to buy our products in silver at our coinage value, and compel us to buy of them what we consume in gold or the gold equivalent in silver. In selling exchange for the money, which England would hold as a commodity, fluctuating almost daily, the seller would exact a rate which would be a heavy tax on the cotton producer. Such a tribute India and other silver countries render to dealers in every piece of exchange bought, the cost, of course, being fixed high enough to cover any possible loss of a fall in silver.

And to the debtor class he says:

> The supporters of free coinage of silver most earnestly urge their plan as especially advantageous to the debtor classes. I recognize the deplorable condition of debtors, and sympathize deeply as any, and would spare no effort in their behalf, but I cannot consent to this proposition even as an ultimate result, and it seems indisputable that in the event this agitation assumed such proportions as to indicate the passage of a free silver law, it would prove especially calamitous to the debtors of the country. The appreciation of gold and its probable disappearance from circulation, in the view of the creditor class, will be the certain result of the success of the free silver move, and their view, and not political theories, will shape the policy of the creditors. A large portion of the indebtedness of the people is to foreign loan companies, made payable, I believe, almost entirely in gold. With gold appreciated the burden of these debtors is increased proportionately, and the loss of property, by many, would be a certainty. But this would not be the limit of the disaster. Should the supporters of free silver coinage develop such strength as to demonstrate that they will probably elect a majority of the next Congress and the President, notice would be thereby served on the creditor class that within the next two years after the election all debts not specifically payable in gold would be liquidated in depreciated currency. Can there be any doubt about the effect of such notice? Creditors, in anticipation of the enactment of a free silver law, which in their judgment would lower the value of the obligations due them, would relentlessly hasten, by every means known to legal machinery, to enforce collections, just as surely as if a law were passed providing that within two years all debts would be barred. There would be no extensions of debts and no new credits given until the great change, which they apprehend would be wholly disastrous, had been worked out. All enterprises in which capital enters would cease, general suspension of business would ensue and universal bankruptcy prevail. I can imagine no activity in trade except such as could be carried on by sheriffs and debt collectors.

These are practical statements which should set men to thinking. There are few rich men in the Southern States. The people here belong, for the most part, either to the agricultural classes or to those who work for wages. Are the former willing to accept pay for their products in depreciated money? Are the latter willing to receive pay for their work in 50-cent dollars? Can any good come to them from depreciated money? Can anything but evil accrue to them in the premises? Governor Stone's words are wise. They should set his people to serious thought on this situation.

Leaflet No. 10.)

SOUND CURRENCY.

Editorials From the New Orleans Picayune.

New Orleans, September 4, 1895.

THE PRESIDENT ON THE PEOPLE'S MONEY.

President Cleveland's letter to citizens of Chicago, who had invited him to visit their city and deliver an address on the money problem, was printed in the Picayune yesterday.

After expressing his regrets at his inability to make the visit, the President sets forth in very clear terms a fair and convincing argument in favor of the necessity of maintaining at the highest standard of value every dollar issued and guaranteed by the Government of the United States. The President's letter is short, but it is very comprehensive, and deserves to be carefully considered by the people of the United States.

In regard to the wisdom, as well as the honesting of maintaining the national credit, so as to be able to carry out to the utmost every pledge that the people through their representatives have made, the President writes: "It is time for the American people to reason together as members of a great nation which can promise them a continuance of protection and safety only so long as its solvency is unsuspected, its honor unsullied, and the soundness of its money unquestioned. These things are ill-exchanged for the illusions of a debased currency and groundless hope of advantages to be gained by a disregard of our financial credit and commercial standing among the nations of the world. If our people were isolated from all others, and if the question of our currency could be treated without regard to our relations to other countries, its character would be a matter of comparatively little importance. If the American people were only concerned in the maintenance of their physical life among themselves, they might return to the old days of barter, and in this primitive manner acquire from each other the materials to supply the wants of their existence. But if American civilization were satisfied with this, it would abjectly fall in its high and noble mission.

To the agricultural classes, who have been more than any other class carried away by the prospect of free silver coinage and a silver standard, the President says: "In these restless days the farmer is tempted by the assurance that though our currency may be debased, redundant and uncertain, such a situation will improve the price of his products. Let us remind him that he must buy as well as sell; that his dreams of plenty are shaded by the certainty that, if the price of the things he has to sell is nominally enhanced, the cost of things he must buy will not remain stationary; that the better prices which cheap money proclaims are unsubstantial and elusive, anr that, even if they were real and palpable, he must necessarily be left far behind in the race for their enjoyment."

To the working classes he speaks briefly, but conclusively. They want pay for their earnings in the very best dollars that are in existence. Their money comes with the expenditure of sweat and toil. If there are some dollars that are better than others, the working classes want the best. Their dollars are too few for their needs, and, therefore, depreciated money can only add to their straightened circumstances. Says the President's letter: "It ought not to be difficult to convince the wage-earner that if there were benefits arising from a degenerated currency, they would reach him least of all and last of all. In an unhealthy stimulation of prices, an increased cost of all the needs of his home must long be his portion, while he is at the same time starved with visions of increased wages and an easier lot. The pages of history and experiences are full of this lesson."

The President is alive to the fact that the people have been actively plied on every hand with the most attractive and flattering illusions of the

extraordinary benefits to arise from the establishing of a standard of depreciated money in the country. He believes that the time has come for a campaign of instruction in the importance of providing for the people the best money possible. This is their highest interest.

PROSPERITY AND PANICS.

Old men love to look back at the "good old times" that they once enjoyed. The despairing and timid are like the aged. They fear the future and regret the loss of the past.

But no two men will agree upon just what time in the past was the best. Everybody's past has its peculiar bright spots, and, when the matter comes to be examined, it will always be found that it was not the general prosperity, but some personal consideration that is always so fondly remembered.

A few days ago a correspondent of the Picayune referred to the period from 1850 to 1860, when the Southern farmers always had money in their pockets, or could easily get it. A Populist newspaper eulogizes the period of 1861 to 1873 as the most prosperous this country ever enjoyed. As this latter period embraces the four years of the terrible civil war and the subsequent years of military despotism and political corruption in ten Southern States, it is plain that some people hold peculiar ideas of prosperity.

There are two sets of facts which, when taken together, declare whether or not a particular year is one of prosperity or otherwise. These are, first, the amount of money in the country in that special year, and, second, the amount of railway construction in that year. It does not follow that because there is a large amount of money in the country times are good. There may be a financial panic or an industrial depression caused by a sudden withdrawal of financial confidence, and so the money may be locked up. Thus it will be seen that the general stock of money has very little to do with prosperity. It is the distribution of the money that is all-important. It is the free use of the money that makes prosperity, because it gives everybody an opportunity to earn some of it.

It must be laid down as a cardinal maxim of financial business that, no matter how much money there may be in the country, it benefits the people only in the proportion that it is distributed. It must be divided out among the people in order to do them any good. But there is another maxim of business that is as absolute and authoritative as the other, and that is that, in order to get any share of the general stock of money, it must be earned by labor, or it must be secured by selling some commodity. Of course, there are people who are always trying to get wealth by downright robbery and crime; but they need not be considered, for they are criminals engaged in violating the law and in preying upon the property of others, and are, therefore, public enemies.

But, returning to the consideration of the two items of the stock of money and the amount of railway building, some interesting facts are disclosed. For instance, in 1860, the year that is so often held up to be the culmination of the good old times, there were in the United States, 31,440,000 population; $442,000,000 of money in circulation, making an amount of nearly $14 to the head of population. The mileage of railroads built in 1860 was 1800. The amount of railway built in the period from 1850 to 1861 was 20,000 miles. It costs about $60,000 to build, equip and operate one mile of railroad, so that, at this rate, the construction and opening of 20,000 miles of railroad in a decade would distribute $1,200,000,000, or $1,200,000 in a single year.

That is a good deal of money; but it should be compared with returns for other chosen periods. Take the much-vaunted time between 1862, when the first greenbacks were issued, and 1873, when silver was cut off from free coinage. It is a period of eleven years. In 1862 the amount of money in circulation was about $335,000,000. The highest point reached in those eleven years was in 1873, when the amount in circulation was $751,000,000, with an increase of population from 32,000,000 to 41,000,000, and an average of about $17 to the head of population.

The railroad building from 1862 to 1873 foots up 38,000 miles, or about 3450 miles a year, showing a large increase in the latter part of the period,

since railway mileage during the war was very small. In the latter part, the chief railroad work was done by the Government, which loaned its credit for the trans-continental railroad construction. At the estimate of $60,000 to the the mile, in the eleven years of 1862-1873 the total distribution of money for the new railroad mileage was $2,277,000,000, or $2,070,000 a year.

But now let us come to the hated and abominated time of twenty years from 1873 to 1894. This is the period which has elapsed since the demonetization of silver, or, more properly speaking, since the cutting off of silver from free coinage, although in these years fifty times more silver has been coined than ever before in the history of the country. Nevertheless these twenty years are held up by the silverites to the execration of all mankind. They ought to show a vast decrease in the money in the country, and a poor account of railroad building. First, for the money account. In 1874 there was $774,000,000 in circulation, which means money outside of the United States Treasury, for what was in the Government vaults is not counted. It gave a per capita of $18 13. The mints had begun to turn out legal-tender silver dollars under the Bland-Allison law. No greenbacks were retired, and the volume of money was every day growing larger. In 1883 the amount of money in circulation was over $1,200,000,000, with $22 65 to the head of population. In 1890 the Sherman law filled up the Government vaults with bar silver and flooded the country with silver certificates, so that in 1892 there was in circulation more than $1,600,000,000 of Government money, making a per capita of $24 47.

Evidently there was no scarcity of money in the accursed period after the alleged demonetization of silver. On the contrary, there was four times as much as in 1860, while the population had only doubled. But how about the distribution? Let the record of railway mileage built in that period be consulted. That means an actual distribution of money, chiefly to laborers and mechanics. It was money paid out. Evidently, in order to entitle that period to the curses heaped upon it by the silver advocates and the Populists, the amount of railway building must have been very inconsiderable. Poor's Railroad Manual for 1894 shows what was done. It is the highest authority, and there is no appeal from it.

In those twenty years, beginning with 1874 and ending with 1893, there were built in the United States, of new railway, 106,600 miles, or more than 5000 miles a year, breaking all previous records. Allowing that it caused the distribution of $60,000 to the mile, here was a disbursement of $300,000,000 a year, $3,000,000,000 for a decade, and $6,000,000,000 for the two decades embraced in the period in question. This breaks all previous records of the distribution of money from railway construction, and that fact guarantees a corresponding activity in every other sort of business, and yet it suits the purposes of a few financial theorists to endeavor to delude people into the belief that there never was a period of industrial depression or of financial trouble until the alleged demonetization of silver in 1873.

The panic of 1893 was the result of excessive speculation and over-trading, based on the good times and the abundance of money which the country had been previously enjoying, and it had no more to do with the legislation on silver than it did with the man in the moon. That silver legislation may have been an evil; but, if so, its effects must be looked for somewhere else than in the financial revulsion of 1893. Why not attribute the panic of 1871 to the demonetization of silver two years afterward?

No; the fact is the country had been having wonderfully flush times in the decade which ended in 1893. In some years 10,000 miles of new railroad had been built in a single year. Money was plenty; credit was good, too good; confidence was too great, and the result was excessive expansion and a bursting of the bubble. It had nothing on earth to do with silver, one way or the other.

A DEADLY BLOW AT THE WAGE-EARNERS.

The debtor classes, that is the people who owe debts, are commonly the subject of popular sympathy, and, in order to arouse and excite that sympathy, these debtors are set up in contrast with the money barons and great capitalists.

This is natural sympathy, and one that comes home to the masses of the people, who, if they are not in actual debt, live on their earnings and usually have little left over for an emergency. When, then, the advocates of a silver standard urge their views upon the people, the strongest, and, in fact, the only forcible argument they have to offer is that, by bringing the money in the country down to a silver basis, the debtor classes will be enabled to pay off their [illegible] in depreciated money. This is particularly held up as an advantage that will be gained by the farmers whose farms are mortgaged to rich men.

The idea that all debts due to the "gold bugs" of the East can be paid off with 50-cent dollars may be very attractive to some of the debt-ridden farmers, and not a few may chuckle with satisfaction at the idea of handing out depreciated money to the wealthy creditors who were expecting gold; but, unfortunately for this dream of "beating" the gold bugs with silver, it will, if put in practical operation, strike a heavy blow at the very people, the masses, for whose benefit the scheme is proposed.

No matter how large may be the amount of the mortgages on farms, they make up a debt which has not got to be paid daily, weekly or monthly. They are due in a term of years, and any creditor who can pay the interest can get his notes extended, since capitalists are working only for the interest on their money. But there is a vastly greater debt which is due daily, weekly or monthly, as the case may be, and which, unless promptly paid when due, and in the best sort of money at that, will create vast and irreparable distress. This debt is the wages of workpeople.

There are in the United States twenty million persons who work for wages. They earn on an average $2 each a day. Their daily earnings are $40,000,000, which are paid either by the day, week or month. These wages of $40,000,000 a day in a working year of 300 days will amount to the tremendous sum of $12,000,000,000. This money is the very life of 20,000,000 of people, and without it they would perish. The mortgage debt of the farmers is a trifle compared with it, and yet it is proposed, in order to enable the farmers to pay their creditors in 50-cent dollars, that the 20,000,000 of people who live on wages shall also be paid in the same inferior coin.

This is truly a monstrous proposition; but it must be remembered that the sort of money that is paid out has got to be paid in first, and the depreciated coin that was prepared for the [illegible] must be used to pay the wages of all the workers. But that is the sort of financiering that the advocates of the silver standard have devised for the benefit of the debtor classes, and against the creditors. But the largest creditors are 20,000,000 of workpeople, and they will be the greatest sufferers.

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Jan. 22, 1900

Currency Reform

BY

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Currency Reform.

I.

ATTITUDE OF THE REFORM PARTIES.

The regenerated Democracy at its national convention in 1896, declared that "Congress alone has the power to coin and issue money, and President Jackson declared that this power could not be delegated to corporations or individuals. We therefore denounce the issuance of notes intended to circulate as money by National Banks, as in derogation of the Constitution, and we demand that all paper which is made a legal tender for public and private debts, or which is receivable for duties to the United States, shall be issued by the government of the United States, and shall be redeemable in coin."

Practically the same declaration was made by the People's Party and the Silver Republican Party.

As to the proper volume of money, the Reform parties declared for an immediate increase in the volume through the free coinage of silver and gold at 16 to 1. *After this restoration, the average of prices was to be kept practically stable through controlling the volume of paper currency.* This stability in the price level is the principle of justice to which the reform parties are unalterably committed, and it is the ideal of all business men and economists.

That a stable price level can be attained is demonstrated by the European systems for controlling the price level. They are described in "The Arena" for January, 1900. The essential element for adoption by the United States is *the control of the volume of paper currency that is used in conjunction with the metallic*

money and bank credits, the aim being to maintain the greatest possible stability in the average price of products at wholesale. For the details see the following proposal for a law of Congress, also the "Arena" article referred to below.

II.

A PRACTICABLE PLAN OF CURRENCY REFORM.

AN ACT for the Retirement of Bank Money, the Direct Issuance and Withdrawal of Money, and the Establishment of a Stable Price Level.

Be it Enacted by the Senate and House of Representatives in Congress Assembled:

BANK NOTES RETIRED.

1. That the right of National Banks to issue money, or bank-notes, so-called, is hereby withdrawn, and after July 1st, 1900, the legal tender quality of the money issued by the government through the banks is withdrawn, and it shall be retired under regulations to be issued by the secretary of the treasury. The government bonds deposited by the national banks with the treasury shall be returned, also the redemption fund, and section five thousand one hundred and fifty-nine of the Revised Statutes is hereby repealed.

NOTE AS TO LEGAL TENDER.—The National Banking law declares that the circulating notes issued in conformity with the law "shall be received at par in all parts of the United States in payment of taxes, excises, public lands and all other dues to the United States, except duties on imports; and also for all salaries and other debts and demands owing by the United States to individuals, corporations, and associations within the United States, except interest on the public debt, and in redemption of the national currency."—(Section 5,182, U. S. Revised Statutes.)

"Every national banking association formed or existing under this title shall take and receive at par, for any debt or liability to

it, any and all notes or bills issued by any lawfully organized national banking association. But this provision shall not apply to any association organized for the purpose of issuing notes payable in gold." (R. S. Sec. 5196.)

REPLACED BY NON-INTEREST BEARING MONEY.

2. As rapidly as the bank money is retired, there shall be issued, under the direction of the Currency Commission hereinafter provided, an equal amount of the non-interest bearing money provided for in this Act. It shall be placed in circulation by the purchase of interest bearing securities of the United States. These bonds as rapidly as purchased shall be transferred to the Commission on Education, and the annual income therefrom, and from the fund received in payment of said bonds, [about $4,000,000 annually,] shall be devoted to the following purposes, and to none other: namely, (1) The acquiring of information concerning the principles of Self-Government, their development and advantages; (2) The dissemination of this knowledge among the people of the United States; and (3) The development of the art of Self-Government in the public schools and by adults.

INTEREST SAVED DEVOTED TO SELF-GOVERNMENT.

STABLE EXCHANGE VALUE IN MONEY: *1. A USE.*

3. The money issued under the authority of this Act shall be received at its face value for debts, public and private, including import duties, judgments, taxes, and all payments and dues whatsoever, except where otherwise provided by an existing contract. Hereafter it shall be unlawful to contract for the future payment of any special form of money of the United States.

2. SHIFTING QUANTITY OF MONEY.

4. The quantity of paper money coined and put in circulation under the direction of the Currency Commission hereinafter provided, shall, when combined with the metallic money, be sufficient to maintain a stable price level, as hereinafter specified, and shall not exceed that amount.

LIMITATION OF QUANTITY.

5. The punishment and procedure against those who may counterfeit or imitate the money herein authorized, or who shall attempt to imitate it, or possess counterfeits, or possess plates, dies, tools, paper, etc., especially designed for making imitations, or who shall pass counterfeits or other imitations, shall be that provided for like offences by sections 0,000 to 0,000 of the revised statutes and amendments thereto.

CURRENCY COMMISSION.

6. There is hereby established a Currency Commission. The membership shall consist of the secretary of the treasury, the director of the mint, and five appointees of the Senate. The appointments shall be upon the following recommendations: One to be selected from three nominated by the executive body of the National Manufacturers' Association; one to be selected from three nominated by the executive bodies of the following associations: one each by the executive bodies of the National Farmers' Association, the National Grange, and the Patrons of Husbandry; one to be selected from two nominated by the executive body of the American Federation of Labor and one nominated by the executive body of the Knights of Labor; one to be selected from three nominated by the executive committee of the National Board of Trade; and one to be selected from three to be nominated by the executive body of the American Bankers' Asso-

ciation. In case of failure to nominate in the manner aforesaid, the nominations shall be by the Currency Commission. The term of office for the five associate commissioners other than the director of the mint, shall be five years, and removable for cause only. The term of one of the said five associates shall expire annually, and the decision as to the length of the term of the first five of said associates shall be decided by lot. The salary of each of said five associates shall be that which is now paid to the controller of the currency. The oath of office shall be that taken by the secretary of the treasury.

BUREAU OF THE CURRENCY.

7. The said Currency Commission, with its employees and the property in its charge, shall be known as the Bureau of the Currency, or Currency Bureau, and shall constitute a Division of the Treasury Department. It may establish branches in each of the sub-treasuries. The existing Currency Bureau shall be known as the Bureau of National Banks or National Banking Bureau, and its chief officer and his deputy shall be known as the Comptroller of National Banks, and Deputy Comptroller of National Banks.

DUTY OF COMMISSION.

8. It shall be the duty of the Commission to so control the supply of money in circulation in the United States and outside the treasury, as to maintain the greatest possible stability in the average price of products at wholesale, due allowance to be made for the cost of carrying the crops from harvest to harvest, short crops, large crops, etc. Each decision as to proper allowance to be reached after publicly taking the testimony of interested parties, and said testimony and decisions shall be promptly published and copies delivered at the depositories of public documents and to those who request the same.

MEASUREMENT OF PRICE LEVEL.

9. The average price or price level, shall be represented by an index number to be compiled and computed by the Bureau under the following rules: There shall be selected one hundred products, approximately. The price of each, for the thirty days preceding the date at which this law shall take effect, shall be ascertained and the average of each for the said thirty days shall be represented by 100. The subsequent changes in the price of each article shall be indicated by a proportionate change in its index number. The index number of the several products shall be combined to represent the average price or price level. For the month above stated this general index number shall be represented by 100. To ascertain the general index number for subsequent dates, the importance of each article shall be in proportion to the value of the amount annually consumed in the United States (as it existed in the year 1890), as compared with the total consumption of said 100 articles in said territory. In selecting the articles, care shall be taken to properly apportion those in which there is an increasing and a decreasing return. The wholesale prices shall be those in the primary markets of the United States. In each of the said markets the Commission shall appoint a citizen of United States to transmit as frequently as may be desired the prices of the selected articles, and he shall be sworn to do so to the best of his ability.

PROCEDURE.

10. The decision as to the articles to be incorporated in the index number, the grade to be selected, the primary markets, and the relative importance of each article, shall be arrived at by the Commission after it has publicly taken the testimony of specialists in the several lines and in several localities. Hearings by a quorum shall be had in New York City, Chicago, St. Louis and San Francisco, and

such other places as justice may require. The testimony and decisions shall be promptly published and copies placed in the depositories for public documents, and sent to the persons requesting the same.

DAILY DUTY.

11. After the Bureau is established, the prices of the several articles shall be compiled daily. The index number showing the average price shall be computed daily or weekly, and *the supply of money so controlled as to keep said index number at 100*, as provided in section eight.

METHOD OF EXPANDING AND CONTRACTING THE VOLUME OF MONEY.

12. The supply of money in circulation shall be increased by the purchase of United States bonds in the open market, said bonds to be held by the Commission for re-sale in the open market whenever the circulation is to be decreased. In case the decrease in the circulation is such that there are no retired bonds in the treasury of the Commission, it is hereby empowered to issue certificates of indebtedness payable in ten years or at the option of the Government, and drawing such a rate of interest that when publicly sold they shall net their face value or a small premium.

FOREIGN AND DOMESTIC NEWS.

13. For the purpose of supplying the Commission with information as to the factors which affect the supply of money and the demand for it, said Commission is authorized to receive in cipher knowledge of the aforesaid character, and pay for it, and immediately upon receipt of the same shall transcribe and post it on the bulletin board of the Bureau.

PARITY.

14. The Bureau of the Currency shall, upon demand, exchange money of large denominations for smaller ones, and vice versa, and

may, at its option, exchange one form of money for another except as hereinafter stated. The parity of the several forms of money depends upon the use provided by the legal tender provision of the law and the proper limitation of the quanity.

CERTIFICATES.

15. The gold and silver coin and bullion now on deposit with the treasury shall be placed in the Bureau of the Currency, and it shall redeem and issue the gold certificates and silver certificates in conformity with the existing regulations.

UNITED STATES NOTES—INTEREST ON BONDS.

16. The United States notes being payable in coin, on demand, shall be honored upon presentation. There shall be transferred to the Bureau 150 million dollars in coin and at all times the coin in the general treasury, or any portion of it, may be received by the Bureau upon tendering other forms of money. For payment of the interest upon the public debt the general treasury may receive coin from the Bureau in exchange for other forms of money. United States notes as received by the bureau shall be canceled and an equal amount of money provided for in this Act shall be coined.

BANKING—REDUCTION IN CASH RESERVES.

17. (Under an elastic supply of money, such as provided above, the interest bearing securities that are first-class can always be turned into cash at an hour's notice. It follows that *the banks should not be required to keep as large a cash reserve as at present.* The law as to bank reserves should, then, be amended when the new currency system is enacted. The National Banks in the larger cities are now required to "at all times have on hand, in lawful money of the United States, an amount equal to at least 25 per centum of the aggregate amount of its

deposits." They should be allowed a minimum of, say, 5 per cent. in lawful money, and 5 per cent. in United States bonds. In the smaller cities the National Banks are required to have "at all times on hand, in lawful money of the United States, an amount equal to at least 15 per centum of the aggregate amount of its deposits." Three fifths of this 15 per centum can be kept in reserve cities, and the amount of lawful money on deposit with the treasury for the redemption of bank notes is also included in the 15 per centum. Instead of the foregoing percentage of cash on hand they should be allowed to keep a minimum of, say, 3 per cent. in lawful money, and 5 per cent. on deposit in the reserve cities. Unless the National Banks are granted as favorable conditions as can be obtained under State laws, they will change to State charters. The prestige of the name National Bank, and the safety to depositors on account of government inspection, is likely to continue the existence of the National banking system after the provisions for issuing bank money are repealed, provided the unnecessary restrictions are removed.)

In the plan proposed in the above bill there will be a practically stable price level, for the volume of money is controlled with the direct object of maintaining stability in the index number, and the officers of the government have no discretion in the matter—no more discretion than has the fireman who is commanded to keep steam at 100.

Now let us examine other plans for maintaining a stable price level.

VARIOUS PLANS COMPARED.

MEASUREMENT OF PRICE LEVEL.

To begin with, it should be admitted by everyone in the reform party that the price level should be measured by a commission on which is represented all

the conflicting interests. A plan which does not provide for a measurement of the price level is deficient in one of the most important features. It is practicable to measure the price level, and therefore the plan must include an index number.

As to the methods of controlling the volume of currency, one plan is that of an inter-convertible bond *at a fixed rate of interest*, while another plan is the inter-convertible bond *with the rate of interest on money shifted as often as is necessary to maintain a stable price level.* This latter is a practicable measure, and should be used in connection with the system provided in the above bill, whereas a fixed rate is thoroughly impracticable, and for the following reason:

INTER-CONVERTIBLE BONDS AT FIXED RATE OF INTEREST.

In Germany, Austria, Japan, and possibly other countries, there is a law whereby the administrative officers of the government are authorized to issue a temporary volume of paper currency upon the payment of interest at the rate of 5 per centum per annum, and the deposit of securities. But these public officers *are not obliged to issue it upon demand.* If they were so obliged it would result in a paper money inflation and the export of all their gold money. This is demonstrated by the fact that the bank rate in Germany has recently been 6 per cent., and it follows that if the amount of new money for circulation had been practically unlimited at 5 per cent., then the interest rate on money could not have risen to 6 per cent. If the volume of paper money had been unlimited at 5 per cent., it would have been issued in such quantities as to keep prices from falling, to say the least, and with stable prices in Germany while prices were falling in other countries, it would have resulted in an export of gold from Germany and the issuance of more paper money at 5 per cent., and this would have continued until all the gold should have been driven

from the country, and even then the outpour of money would not have ceased until all the bonds were changed into money, or the law was so changed as to stop the issuance of new money.

It is manifest then that an inter-convertible bond system at 5 per cent., or at 4, or at 3 per cent., is impracticable. If the rate is fixed at 10 per cent., say, then it would furnish a temporary increase in times of stress, and the added volume would soon be withdrawn: a 10 per cent. bank rate will force down the price level unless it shall be found that a strong clique of bull speculators can so manipulate the volume of new money as to raise prices.

We find then that a fixed rate of interest on an interconvertible bond is *impracticable except to prevent a panic for money*. Let us see the workings of an adjustable interest rate:

INTER-CONVERTIBLE BONDS AT ADJUSTIBLE RATE.

As shown in my "Arena" article of January, the Government of Germany controls the interest rate on *money*—it controls the bank rate. By raising the rate it depresses prices, and by lowering the rate it raises prices. It also puts new money into circulation when there is an extra strong demand for money, as at the first of the month. This additional amount is gradually withdrawn and held in readiness to be put forth again. By reason of this elastic supply of money the bank rate is not changed as often as is the case in England where there is less elasticity in the volume of money.

The plan proposed for this country by several of our monetary writers is that the elasticity in the volume of our paper currency be secured by means of inter-convertible bonds, the interest rates to be *raised and lowered by the currency bureau in such a way as to maintain a stable price level.*

This is what should be done under the system provided in the above bill. Bonds should be bought in the open market whenever the interest rate in the money market rises to a given figure, and bonds sold whenever the rate falls to a given figure. These rates should be publicly announced from time to time, but it is not likely that there will be many changes after the new system is in working order. To prevent a "corner" on the bonds that the government will purchase, the bureau of the currency should be authorized to select from quite a range.

But some there are who urge that instead of buying the bonds the government should *loan money and take the bonds as security for the repayment of the money.* To this there are several objections :

OBJECTIONS TO GOVERNMENT LOANING MONEY ON BONDS.

In the first place it is likely that practically all the new money put out will be kept out in circulation and therefore *will not be repaid.* This is because the country, as it develops, will need a larger and larger supply of money, and when a stable price level shall be established there will be a rapid enlargement of business. In short, it is reasonable to expect that the volume of paper currency will increase and will be kept in circulation *permanently.* If such is the case it is impracticable to place it out on loans to individuals and private corporations. The small expansion and contraction due to moving the crops will be but a "fringe" on the edge of the total volume of paper currency. The expansion and contraction of this "fringe" can be through the buying and selling of bonds.

On the other hand, if the volume of government currency is not increased year after year, but the supply of metallic money shall be such that *the currency now out shall be withdrawn*, then it will be

necessary to sell government bonds—the loaning-out system will not meet this contingency.

Now is an opportune time to discuss the control of the price level. The attention of the public is directed to some of the evils of the existing system. The discretionary power of the Secretary of the Treasury to expand or contract the volume of money is seen by all to be very bad. The remedy is to provide the fixed rule that the volume of money shall be such as shall maintain the greatest possible stability in the index number of average prices. If the discretionary power of the Secretary of the Treasury is abolished without substituting a control by him or a commission under fixed rules, *then it places the control of the price level in the hands of those who control the bank rate;* that is to say, the great speculative banks and the bear speculators, and also foreign governments and foreign bankers. This I have demonstrated in "Who Shall Control the Price Level?" published in the "Arena" for January.

III.

PROPOSED CURRENCY PLANK OF 1900.

Re-affirm the currency plank of 1896: "Congress alone has the power to coin and issue money, and President Jackson declared that this power could not be delegated to corporations or individuals. We therefore denounce the issuance of notes intended to circulate as money by National banks as in derogation of the Constitution, and we demand that all paper which is made a legal tender for public and private debts, or which is receivable for duties to the United

States, shall be issued by the Government of the United States, and shall be redeemable in coin."

Then add the following paragraphs:

The volume of this paper currency used in conjunction with coin, should be such as to offset the changes in the volume of credits, rapidity of circulation, fluctuations in demand, etc. The issuance and withdrawal of the currency should be under fixed rules of justice laid down by Congress, thereby taking all discretionary power from the administrative portion of the government. (The following may be added or omitted:) To further insure impartiality and sound judgment the administrative body should be composed of representatives of the business men, farmers, wage earners, and bankers, also the Secretary of the Treasury and the Director of the Mint.)

The present system of paper currency issued by the government through the private corporations known as National banks, is wholly in the interests of the great speculative banks, "bear" speculators, foreign bankers, and foreign governments. They each have power to control the price level, whereas in all first-class countries except the United States, the price level is controlled by the government officials, as in Germany, Austria and Russia; or by representatives of the producing classes, as in England; or by a combination of government officials and representatives of the producing classes, as in France.

Suggestions and criticism are invited.

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RESOLUTIONS

ADOPTED AT

THE SILVER CONVENTION,

HELD AT CHICAGO,

AUGUST 1ST AND 2D, 1893.

WHEREAS, Bimetallism is as ancient as human history; certainly for more than 3,000 years gold and silver came down through the ages hand in hand, their relations to each other having varied but a few points in all that vast period of time and then almost invariably through legislation; and

WHEREAS, The two metals are named together, indissolubly united in the Constitution of the United States, as the standard of value of this country, placed there by George Washington, Thomas Jefferson, John Adams, Alexander Hamilton and their associates, and subsequently indorsed and defended by Andrew Jackson and Abraham Lincoln; and,

WHEREAS, Silver, one of these ancient metals, was, in the year 1873, without any previous demand by any political party, or by any part of the people, or even by any newspapers, and without public discussion, stricken down from the place it had occupied since the days of Abraham and the Pharaohs, under circumstances of such secrecy that Allen G. Thurman, James B. Beck, William M. Stewart,

Daniel W. Voorhees, James G. Blaine, then Speaker of the House, James A. Garfield, William D. Kelley and others present and voting for the bill, as Senators or Representatives, subsequently repeatedly and publicly declared that they did not know until long afterward that so great and grave a change had been made in the financial system founded by the fathers of the republic; and,

WHEREAS, The debates in Congress show that the parentage of the measure was in part ascribed by friends of the bill to one Ernest Seyd, a London banker, who it is claimed, was sent over to Washington by the moneyed classes of the Old World to secure its passage by secret and corrupt means, and,

WHEREAS, President Grant, who signed the bill, declared long subsequently that he did not know that it demonetized silver; and,

WHEREAS, The purpose of this attack upon one of the two ancient precious metals of the world was, by striking down one-half of the money supply—to wit, silver—to double the purchasing power of the remainder, gold, by making it the equivalent of everything possessed or produced by the labor of man, thus reducing the price of all commodities, arresting enterprise, impoverishing the toiler and degrading mankind. That these results were not only inevitable but forseen, appears by the following language used at that time by the then President of the Bank of France, who said: "If by a stroke of the pen they suppress one of these metals in the monetary service they double the demand for the other metal, to the ruin of all debtors;" and,

WHEREAS, The awful consequences thus prophesied are now upon the people of the whole world, we stand in the midst of unparalleled distress, and in the shadow of impending calamities which are beyond estimate. The ruling industry of the people who inhabit one-third of the area of this republic has been stricken down, property values destroyed, and the workmen compelled to fly as from pestilence. Everywhere over this broad land the honest toilers, numbering hundreds of thousands, have been thrown out of employment, and will have to eat the bitter bread of charity, or starve. The products of industry, of the farm and the workshop, have depreciated in price, as shown by official and public statistics, until production ceases to be profitable; the money in the country, inadequate for the business

of the land, has gravitated to the banks; while the people, distrusting the banks, have demanded their deposits to hoard or hide them; mercantile houses are going to the wall by thousands because the masses have not the means to buy even the necessities of life; to supply the lack of currency the banks of the great cities have issued a substitute for money unknown to the laws, called clearing-house certificates; the movement of the great crops now being gathered demands a vast amount of currency, which the banks are unable to furnish; and in the midst of these conditions the daily press is clamoring for the repeal of the act of July 14, 1890, called the Sherman act, although the repeal of that act means the stoppage of the issue of more than $3,000,000 every month; thus shutting off the supply of funds for the business of the country in the midst of the terrible conditions which surround us; and ignoring the fact that to hold the balance level between the debtor and creditor classes the supply of currency must increase side by side with the increase of population and business; and that in this nation the growth of population is at the rate of about 30 per cent. every ten years, while the increase of business is much greater; and,

WHEREAS, The great expounder of the Constitution, Daniel Webster, said: "Gold and silver, at rates fixed by Congress, constitute the legal standard of value in this country, and neither Congress nor any State has authority to establish any other standard or to displace that standard;" and,

WHEREAS, The Hon. James G. Blaine, quoting this utterance, adds: "On the much-vexed and long-mooted question as to a bimetallic or monometallic standard, my own views are sufficiently indicated in the remarks I have made. I believe the struggle now going on in this country and in other countries for a single gold standard, would, if successful, produce widespread disaster in and throughout the commercial world. The destruction of silver as money and establishing gold as the sole unit of value must have a ruinous effect on all forms of property except those investments which yield a fixed return in money. These would be enormously exhanced in value and would gain a disproportionate and unfair advantage over every other species of property. If, as the most reliable statistics affirm, there are nearly $7,000,000,000 of coin or bullion in the

world, very equally divided between gold and silver, it is impossible to strike silver out of existence as money without results which will prove distressing to millions and utterly disastrous to tens of thousands."

Again he said: "I believe gold and silver coin to be the money of the Constitution; indeed, the money of the American people anterior to the Constitution, which the great organic law recognized as quite independent of its own existence. No power was conferred on Congress to declare either metal should not be money. Congress has, therefore, in my judgment, no power to demonetize either. If, therefore, silver has been demonetized I am in favor of remonetizing it. If its coinage has been prohibited I am in favor of ordering it to be resumed. I am in favor of having it enlarged." and,

WHEREAS, The present Secretary of the Treasury, the Hon. John G. Carlisle, on the floor of the House of Representatives, February 21, 1878 said: "I know that the world's stock of the precious metals is none too large, and I see no reason to apprehend that it will ever become so. Mankind will be fortunate, indeed, if the annual production of gold and silver coin shall keep pace with the annual increase of population, commerce and industry. According to my views of the subject the conspiracy which seems to have been formed here and in Europe to destroy by legislation and otherwise from three-sevenths to one-half of the metallic money of the world is the most gigantic crime of this or any other age. The consummation of such a scheme would ultimately entail more misery upon the human race than all the wars, pestilences, and famines that ever occurred in the history of the world. The absolute and instantaneous destruction of half the entire movable property of the world, including houses, ships, railroads, and all other appliances for carrying on commerce, while it would be felt more sensibly at the moment, would not produce anything like the prolonged distress and disorganization of society that must inevitably result from the permanent annihilation of half the metallic money in the world." and,

WHEREAS, Senator John Sherman, of Ohio, who more than any other man is responsible for the demonetization of silver, clearly understood the evil consequences of shrinking currency below the legitimate demand of the business of the country, as evidenced by what

he said in the Senate in 1869—to wit: "The contraction of the currency is a far more distressing operation than Senators suppose. Our own and other nations have gone through that operation before. It is not possible to take that voyage without the sorest distress. To every person except a capitalist out of debt, or a salaried officer, or annuitant, it is a period of loss, danger, lassitude of trade, fall of wages, suspension of enterprise, bankruptcy and disaster. It means ruin to all dealers whose debts are one-half their business capital, though one-third less than their actual property. It means the fall of all agricultural productions without any great reduction of taxes. What prudent man would dare to build a house, a railroad, a factory or a barn with this certain fact before him?"

Therefore, in view of all these facts we declare:

1. That there must be no compromise of this question. All legislation demonetizing silver and restricting the coinage thereof must be immediately and completely repealed by an act restoring the coinage of the country to the conditions established by the founders of the Nation and which continued for over eighty years without complaint from any part of our people. Every hour's delay in undoing the corrupt work of Ernest Seyd and our foreign enemies is an insult to the dignity of the American people, a crushing burden on their prosperity, and an attempt to place us again under the yoke from which George Washington and his compatriots rescued us. We protest against the financial policy of the United States being made dependent upon the opinion or policies of any foreign government, and assert the power of this Nation to stand on its own feet and legislate for itself upon all subjects.

2. We declare that the only remedy for our financial troubles is to open the mints of the Nation to gold and silver on equal terms, at the old ratio of sixteen of silver to one of gold. Whenever silver bullion can be exchanged at the mints of the United States for legal tender silver dollars worth 100 cents each, that moment 412½ grains of standard silver will be worth 100 cents; and as commerce equalizes the prices of all commodities throughout the world, whenever 412½ grains of standard silver are worth 100 cents in the United States they will be worth that sum everywhere else and cannot be bought for less. While it will be urged that such a result would

enhance the price of silver bullion it is sufficent for us to know that an increase proportional to the increase in the volume of money resulting therefrom would be immediately made in the price of every form of property except gold and credits, in the civilized world. It would be a shallow selfishness that would deny prosperity to the mining industries at the cost of bankruptcy to the whole people. The legislation to demonetize silver has given an unjust increase to the value of gold at the cost of the prosperity of mankind. Wheat and all other agricultural products have fallen side by side with silver.

3. That while the "Sherman act" of July 14, 1890, was a device of the enemy to prevent the restoration of free coinage, and is greatly objectionable because it continues the practical exclusion of silver from the mints and reduces it from a money metal to a commercial commodity, nevertheless, its repeal, without the restoration of free coinage, would stop the expansion of our currency required by our growth in population and business, widen still further the difference between the two precious metals, thus making the return to bimetallism more difficult, greatly increase the purchasing power of gold, still further break down the price of the products of the farmer, the laborer, the mechanic, and the tradesman, and plunge still further all commerce, business, and industry into such depths of wretchedness as to endanger peace, order, the preservation of free institutions, and the very maintenance of civilization. We, therefore, in the name of the republic and of humanity, protest against the repeal of the said act of July 14, 1890, except by an act restoring free bimetallic coinage as it existed prior to 1873. We suggest that the maintenance of bimetallism by the United States at a ratio of sixteen to one will increase our commerce with all the silver-using countries of the world, containing two-thirds of the population of the world, without decreasing our commerce with those nations which buy our raw material and will compel the adoption of bimetallism by the nations of Europe sooner than by any other means.

4. We assert that the unparalled calamities which now afflict the American people are not due to the so-called Sherman act of 1890, and in proof thereof we call attention to the fact that the same evil conditions now prevail over all the gold standard nations of the world. We are convinced that bad as is the state of affairs in this country it

would have been still worse but for the Sherman act by which the Nation has obtained to some extent an expanding circulation to meet the demands of a continent in process of colonization, and the business exigencies of the most energetic and industrious race that has ever dwelt on the earth, and we insist upon the execution of the law without evasion so long as it is upon the statute books, and upon the purchase each month of the full amount of silver that it provides for, to the end that the monthly addition to the circulating medium the law secures shall be maintained.

5. That we would call the attention of the people to the fact that in the midst of all the troubles of the time the value of the national bonds and the national legal tender money, whether made of gold, silver, or paper, has not fallen a particle. The distrust is not of the government or its money, but of the banks, which have, as we believe, precipitated the present panic on the country in an ill-advised effort to control the action of Congress on the silver question and the issue of bonds. We invite the bankers to attend to their legitimate business and permit the rest of the people to have their full share in the control of the government. In this way they will much sooner restore that confidence which is so necessary to the prosperity of the people. It must not be forgotten that, while boards of trade, chambers of commerce, bankers, and money dealers are worthy and valuable men in their places, the republic can more safely repose upon the great mass of its peaceful toilers and producers, and that this "business man's age" is rapidly exterminating the business men of this country. The time has come when the politics of the Nation should revert as far as possible to the simple and pure condition out of which the republic arose

6. We suggest for the consideration of our fellow-citizens that the refusal of the opponents of bimetallism to propose any substitute for the present law or to elaborate any plan for the future, indicate either an ignorance of our financial needs or an unwillingness to take the public into their confidence; and we denounce the attempt to unconditionally repeal the Sherman law as an attempt to secure gold monometallism in flagrant violation of the last national platforms of all the political parties.

From Pres. Angell,
Dec. 24, 95

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THE SO-CALLED

DOUBLE MONEY STANDARD ABSURDITY.

BY R. F. SPRAGUE.

Civilized governments at the present day find it convenient if not necessary to make some provision for a "Money Standard," or, as it is sometimes termed a "Standard of Value," to the end that its business, and the business of its people may be carried on peacefully, equitably, and without confusion.

In the multitudinous exchanges which go to make up the commercial life of a people, this money standard will come to play the important part of a common denominator, in terms of which concepts of value are written or expressed, and the comparisons which necessarily precede every rational exchange are made In terms of this Standard too, contracts and agreements will be entered upon and executed.

In providing this Money Standard it is essential that the commodity or thing chosen, shall possess properties or powers which, in themselves, will render it desirable, and serve as a measure of its value. For it is not within the province of Administrative or Legislative authority to create value,or for that matter to unalterably fix or certainly regulate it. In the very nature of things the determination of value must rest with the individual, and the value of a given thing will from necessity, coincide with its supposed capacity to minister to the happiness, or contribute to the well being of the individual who contemplates acquiring or parting with it. The most then that a government can do, and the only thing it should attempt to do, is to fix upon the exact quantity, and quality of the commodity selected to serve as the Money Standard and provide a term by which it may be legally known. This done, men may intelligently estimate its value, and judge of the advantage or disadvantage resulting from acquiring or parting with it. Originally, as we know, this matter of providing a legal term for the Money Standard was quite unnecessary as money standards and well recognized weight standards were indentical. Thus the English pound sterling originally meant a Saxon pound weight of silver of standard purity. Other examples of weight standards giving their names to money standards are found in the shekel, the talent, the stater, the mark, the franc, etc.

While in the past many different metals have at one time or another served as a basis for the money standard, - to say nothing of such commodities as furs, beads, slaves, cattle, sheep, nuts, grains, leather, rum, tobacco, etc. —the so-called precious metals, Gold and Silver, are now generally recognized by the most enlightened people, as substances best suited for this purpose. The very fact that these metals now practically monopolize the field is a powerful argument in favor of their special fitness.

A nation or a people whose money standard consists of a certain definite

quantity of but one of these metals, has what is termed a "Single Money Standard," while those having two recognized "Standards" as for example one of gold and one of silver, has what is termed a "Double Money Standard."

The matter of providing a Single Money Standard is apparently a very simple affair. Thus, having determined upon the metal to be employed, it only remains to determine and clearly define the "quantity" and "quality"—purity—of the metal or bullion it shall contain, and immediately the people become familiar with it, and accept it, the Standard is established and thenceforward standard coins will as a rule, pass current at a value co-incident with the market value of the bullion they contain. While it is possible the standard coin may, under certain artificial conditions, as for example where there is a seigniorage charge, or an enforced scarcity of coins, have a value slightly in excess of the market value of its bullion, it is hardly conceivable that its value as coin can ever be less that its value as bullion. The reasons for this are apparent. Thus if the coin is in a marked degree more valuable than the metal it contains, those having bullion will make haste to have it converted into coin, while on the other hand, if the coin show the slightest tendency to become less valuable than bullion, it is always optional with the holder of coin to employ it as bullion. For while it requires time and labor to convert bullion into coin, coin never for a moment ceases to be bullion, consequently it may be employed as bullion, whenever the holder finds it for his advantage to do so.

Since in the coinage of a Money Standard, the prime object is to secure perfect uniformity, and accuracy, to the end that all may know exactly what they are to receive or part with, the matter of assaying and weighing becomes of vital importance. While it must not be regarded as absolutely essential it is, for obvious reasons best, that the state or government should undertake the care and supervision of these matters. The mint stamp or impress upon the coin, though convenient for many reasons, is chiefly important as the government's signature, and Seal certifying to the fact that the coin when issued, contained the quantity and quality of bullion prescribed by law.

Owing to the accidental abrasion—wearing or scraping off,—necessarily resulting from use, or from the secret and reprehensible processes employed by the rogue, standard coins, in time, tend to become lighter, and consequently less valuable then when first coined. While a certain tolerance in weight is allowed, it is customary, in the interest of justice, to provide by law that coins whose weight is below this limit of tolerance —usually less than one-half of one per cent,—shall no longer be a legal tender, or pass current as money, at their full value. In short, that they shall be regarded as money, only in proportion to the bullion they contain. Thus, a coin which for any reason has become, say one-tenth short in weight, will have one-tenth less value as money than a full weight coin. And this too, though the mint stamp by which some people set such store is quite clear and distinct.

The establishment of Double Money Standards, one of gold, and one of silver, is a somewhat different matter, involving as it must, the determination of the true ratio of value between these two metals weight for weight, to the end that coins struck from them may be of indentical bullion value, and thus the confusion, and injustice, incident

to the legal use of the same term to convey dissimilar ideas, in matters of such vital importance as the exchanges and agreements of every day life may be averted. There are other reasons which wil appear later.

The mere matter of ascertaining the ratio of value between these two metals would seem to present no serious difficulty. It is only necessary to consult the market, and if, under normal conditions, it is found that one ounce of gold regularly commands exactly sixteen times more than one ounce of silver, we shall not hesitate to assert that gold is sixteen times more valuable than silver. In short, that the ratio of value between the two metals, is as 16 in weight of silver, to one in weight of gold.

The difficulty with the so-called Double Standard however, is not that incident to the determination of the true ratio of value between the metals employed at a given time and place, but to the difficulty incident to the maintenance of that ratio for a period of time, and in places somewhat remote from each other. For experience has repeatedly shown that the ratio of today is not the ratio of tomorrow, and that the ratio of one locality is not the ratio of all. Were Money Standards established solely or chiefly for the immediate present, or for a limited locality, this objection would be less important, but they are not; and a so-called standard that shall require monthly or yearly adjustment in order that it may posess the quality of a standard, will be of more than doubtful utility.

As we have seen, it is necessary to ascertain the ratio of value between the metals gold, and silver, before intelligent action can be had in the matter of establishing a Double Standard. It is perhaps unnecessary to call attention to the fact that the value of these two metals, at the time and in the market consulted, was governed by the inexorable law of supply and demand, and that, in order that this ratio may be maintained, it is absolutely essential that the demand for, and supply of gold, shall remain the same, relatively to the demand for and supply of silver, that it was when the so-called Double Standard was established, Any increase in the demand for, or decrease in the supply of, or decrease in the demand for, or increase in the supply of, either of these metals, unless by a most remarkable co-incidence, it is relatively the same in each case, must necessarily result in an immediate change in the ratio of value between these two metals.

We have seen in the case of the Single Standard that the value of that Standard as a current coin is necessarily substantially co-incident with the value of the bullion it contains. That this principle is generally recognized as equally true of the so-called Double Standards, is demonstrated by the pains taken at the outset, to ascertain the true ratio of value between the two metals to be employed. Indeed it is only as in time, and in place, the inevitable law of supply and demand operates to enhance the value of one of the metals, or depreciate the value of the other, and men believe it for their personal advantage to ignore manifest facts, that this fundamental principle is ever questioned.

From the moment there is a sufficient change in the relative value of the two metals, to cause the bullion value of one of the Standards to materially exceed the bullion value of the other, that is, from the moment the value of the two Standards *ceases to be indentical, from that moment forward, so long as this condition exists,*

the so-called *Double Standard is at an end*, and the standard of one metal or the other will become the *recognized* and *accepted Standard*, the *Standard in fact*, in terms of which value will be conceived, ideas of value conveyed, and exchanges made. This is *inevitable*, and quite beyond the reach of Legislative, Administrative or Constitutional power to prevent.

Whether the Standard having least or the Standard having greatest bul ion value sball become the Standard in fact, will depend upon circumstances, though the inevitable tendency will be for the Standard having least, to displace, and drive from circulation the Standard having the greatest bullion value. The reason for this will be apparent, if we take the trouble to look somewhat beneath the surface of things. Thus, the Standard having least bullion value, being a legal tender will have equal power *as money*, with the Standard having greatest bullion value. As a consequence the latter must circulate, if at all, at par with the Standard having least bullion value. In other words, to circulate as money, the Standard having greatest bullion value, must circulate at a value *measurably less* than its bullion value. As we have seen in our consideration of a Single Standard this is hardly conceivable, since men must necessarily find it for their advantage, and to their profit, to employ only the least valuable Standard as money, reserving the Standard of greatest bullion value to be disposed of in the direction of its greatest power, to wit: as bullion. Thus, it will be seen, this tendency of the money Standard of least value to drive the Standard of greatest value from the currency, and usurp the field, has its origin in that great law of *Common Sense*, which leads men to employ things possessed to the best possible advantage in meeting their obligations, and gratifying their desires. Attention was first called to the bearing this law has upon currency problems by the English financier Gresham, early in the present century, and it has since borne his name. While men of intelligence frequently profess their inability to comprehend this law, they rarely, if ever, fail to conduct their business in perfect harmony with it.

While what may be termed the natural tendency is for the Standard of least bullion value to drive its rival from the field and become the Single Standard in fact, it is possible, under certain conditions, to counteract this tendency, and while establishing the Standard of greatest bullion value as the single Standard in fact, provide for the use of both metals in the currency. Though this is no less fatal to the doctrine of the Double Standard, it is usually hailed by those who advocate it, as a triumphant vindication of their views.

There are two methods, one based upon faith, the other upon scarcity, which have been found adequate to arrest this natural tendency, and establish the Standard of greatest bullion value as the Single Standard in fact, while retaining a limited amount of the least valuable money in the currency. The application of either or both of these methods, involves an artificial increase in the money value of the coin of least bullion value, to a par with the bullion value of the Standard in fact.

First.—In the application of the method based upon faith, it will be necessary for the government to provide for the redemption of the coins of least value at par in coins of greatest value, and that too, without material inconvenience to the holder. The increased value in this case,—"Maintaining the parity of two metals in the

coinage" always implies an artificial increase in the value of the coin of least bullion value,—will clearly rest upon our faith in the government's promise to make good or pay the difference, precisely as the sole and only value of so called paper money, rests upon our faith in its ultimate redemption in coin or its equivalent.

Second. — Since "Scarcity" without "demand" is hardly conceivable, it is evident resort cannot be had to the second method, unless there is a positive and well defined demand for coins of the least bullion value as a matter of convenience. That is to say, coins of this character must possess such advantage over coins of greater bullion value as a means of facilitating certain exchanges, as to create a demand for them. Should coins of this character so exceed the demand as to occasion material inconvenience, they will tend to depreciate to their bullion value, and if they have full legal tender power, they will tend to displace the coins of greatest value. The first evidence of this tendency will probably be found in the fact that coins of the greatest bullion value command a slight premium in the market. To provide against this it is customary, not only to restrict the coinage of money of this character to the actual requirements of trade, but to provide for maintaining its "parity" in the event of unforeseen redundancy, by redemption in coins of greatest bullion value.

It has been said that for centuries past the precious metals, gold and silver, have usurped the field as bases for the money of account. This statement demands slight modification. Though these metals admit of almost infinite subdivision, a coin of either small enough to serve the purposes of money in the transaction of the innumerable "penny exchanges" of every day life, would prove inconveniently small. As a consequence copper or bronze coins have come into general use for exchanges of this character. Nickel too, is quite extensively used for coins of small denomination. Since coins of this character, as a rule, have little bullion value, they are coined only upon government account, and are legal tender for small sums only. Not only is their issue restricted to the actual demands of trade, but provision is usually made for their redemption in coins of standard value.

* * * * * *

A brief review of the experience of the people of the United States in their efforts to maintain the parity of two money Standards, one of gold and one of silver during the past one hundred years, well illustrates the difficulties incident to a practical application of the doctrine of the Double Money Standard in the conduct of monetary affairs.

In 1792, two years after the adoption of the Constitution by the last of the thirteen States, Congress made provision for Double Money Standards, one of gold, the other of silver. At that time the ratio of value between these two metals was assumed to be as 1 of gold to 15 of silver, and provision was made for the coinage of both metals at that ratio. The coinage was made free to all who would deposit bullion of either metal at the mint, and coins of both metals were made a legal tender without limit. Though the ratio of 1 to 15 seemed to be approximately correct at the time and the variation for some years was slight, the adoption of the ratio of 1 to 15½ abroad, soon worked the inevitable change and the ratio in the market of this country soon became 1 to 15½. Gold at once became more valuable as bullion than as coin and as a consequence ceased to be deposited for coinage, while full

weight coins of this metal commanded a premium at the counters of the money changers, who found a profit in sending them abroad where the ratio of 1 to 15½ was recognized in the coinage. The result was the establishment of the Standard of least bullion value, silver, as the Single Standard in fact.

The inconvenience resulting from the enforced use of the bulky white metal, as a basis for the only coins that could circulate as currency, under existing conditions, led to the passage of the Act of 1834, evidently designed to bring the less bulky, and more convenient gold coin into circulation as the money of account. As the market ratio of value between gold and silver bullion at that time was about 1 to 15¾, a reduction of 5 per cent. in the weight of the gold Standard would have reduced the value of gold coin to a par with the silver coin then current. As a matter of fact, however, the Act provided for a 6½ per cent reduction in the weight, and consequent value of Standard gold coins. The actual reduction in weight of the gold dollar, was from 24.75 to 23.22 grains of pure gold or more than 1½ grains. The result was to establish a ratio of about 1 to 16—to be exact, 1 to 15 988—in the coinage. As a consequence silver at once became more valuable as bullion than as coin, and as its employment as money involved loss, it ceased to be deposited at the mint for coinage. As a matter of course, full weight coins of this metal commanded a premium due to the profit which would result from shipping them to countries where the ratio of 1 to 15½ prevailed in the coinage. The result was a very annoying dearth of the small coins necessary in making change, and facilitating minor transactions. From this time forward to 1853 when legislative action looking to a remedy for these evils was taken, the great bulk of our silver money consisted of Spanish and Mexican coins which, from long use had become so worn and thin, that their bullion value was materially less than the tale, or nominal value, at which by law and usage they passed current in this country.

As in 1834 Congress had found it necessary to reduce the weight and consequent bullion value of its gold coins in order to secure their retention in the currency, so in 1853 it was compelled to reduce the weight of its minor silver coins, in order to insure their retention and use as money. Heretofore these minor coins had contained relatively the same amount of bullion as the Standard silver dollar By the terms of the Act of 1853 however, provision was made for the coinage of half dollars, quarter dollars, dimes, and half dimes, at the rate of 384 grains of Standard silver to the dollar, As the weight of the Standard silver dollar was 412½ grains, these subsidiary coins would have a bullion value nearly 7 per cent. less than standard coins of this metal, and about 5 per cent. less than the standard gold coins then in use. Since the money value of these subsidiary coins would be materially in excess of their bullion value, it was necessary to provide against excessive issue for use in the currency It was therefore provided that they should be coined only upon government account, and that they should not be a legal tender for sums in excess of five dollars. Had their legal tender character been unlimited, and their coinage free to all who would deposit bullion, the silver of the whole world would have gravitated toward the United States mint, until such time as these coins passed current at their *bullion value*, when coinage for private account would *necessarily cease to be profitable*. That is, until such time as this subsidiary coinage, designed for special use

in a limited field, had displaced gold coins of greater bullion value, and established itself as the Single Standard in fact. Two important facts should here be apparent to all who will carefully consider the matter.

FIRST.—Under free coinage, the money value of coins, cannot long materially exceed their bullion value.

SECOND.—No profit can possibly result from the coinage of bullion into coins passing current at their bullion value

The openly avowed purpose of the Act of 1853 was to complete the work so auspiciously begun in 1834, and while recognizing the gold standard as the Single Money Standard of account, provide a subsidiary coinage of silver that would circulate as coin, and meet the imperative requirements of trade for coins of small denominations.

The Act of 1873 revising and amending the coinage laws made no provision for the further coinage of the 412½ grain silver dollar. This Act did not, as is frequently charged, "demonetize" the silver dollar, which continued a full legal tender for any amount until the following year, when its legal tender character for sums in excess of five dollars was taken away.

Though the law of 1873 dropping the silver dollar from the list of coins thereafter to be issued from the mint, attracted comparatively little attention during the three years it was under consideration in the Senate and House,—it was first introduced in 1870,—it is not true as charged, that the measure was passed surreptitiously, or without that due consideration and discussion by Members of both Houses, which its importance seemed to warrant. True, Members of Congress from both Political Parties have regarded it to their interest to make this charge, but the documentary evidence on file against them in both Houses, is well nigh overwhelming. To the fact that the law in question made no change whatever in the conditions prevailing since 1834, must we look for the apparent indifference of the people and their Representatives during the consideration of this measure. For nearly 40 years—since 1834—the bullion value of the 412½ grain silver dollar had exceeded its coin or money value by from 2 to 5 per cent.; and for upwards of 50 years,—since 1820,—the bullion necessary to coin a Standard silver dollar would have cost on the market from $1.01 to $1.05 in terms of the Standard gold dollar in use since 1834. It is of course, absurd to suppose that any one except the Omniscient, was wise enough to then foresee or even vaguely anticipate the depreciation in the value of silver, which was to take place during the twenty years that followed. Furthermore, while for a period of eighty years prior to the passage of the Acts of 1873-4 the silver dollar had had a legal existence as a money Standard, it had during all this time occupied a prominent place in the currency of the country for less than twenty years. Prof. Laughlin in his "History of Bi-metallism in the United States," informs us, that during these eighty years "less than 1,500,000 silver dollars have been coined for circulation in this country, and all of these were coined prior to 1806." *

Again, these laws were evidently intended as simply supplementary to the laws of 1834 and 1853, which had met with unqualified approval from all par-

* Laughlin's History of Bimetallism in the U. S. pp. 93.

[There were no silver dollars coined between the years 1805 and 1840. As after 1834 the bullion necessary to coin a silver dollar cost from 102 to 105 cents in the money of account, it is undoubtedly true that the few silver dollars coined from 1840 to 1870 were intended, like the Trade Dollars of a later period, for use in our trade with China and Japan —R. F. S.]

ties. The former, by providing for such reduction in the weight of the gold standard as would insure its depreciation to a point below the bullion value of the silver standard then occupying the field as the Single Standard in fact, was clearly designed to displace the latter as the Money Standard of account. We have seen how effectually it accomplished this purpose. As has been stated, the publicly avowed purpose of the law of 1853 was to complete the work begun in 1834, and provide a subsidiary coin that would remain in circulation, and meet the requirements of trade for money of smaller denominations.

In 1878, Congress passed an Act re establishing the 412½ grain silver dollar as a money standard with unlimited power as a legal tender.

This seems to have been done, partly in obedience to a popular, but irrational demand for a "cheaper" dollar, engendered no doubt by an era of irredeemable, but depreciated paper currency from which we were just emerging, and partly in obedience to the organized demand of the silver producers, who viewed with alarm the rapid depreciation in value, of the products of their mines, resulting no less from a more general recognition of the inconvenience of silver as a money Standard of account, than from increased and cheaper production. As the ratio between gold and silver in 1878 was as 1 to 18, Congress very wisely provided that silver should be coined only for government account. Another provision of the law made it the duty of the Secretary of the Treasury to purchase not less than two nor more than four million dollars worth of silver bullion each month, the same to be coined into Standard dollars as purchased.

It was held and ably argued by representatives of the silver producing States and their allies that a measure providing a permanent and reliable market for from 700 to 1,500 tons of silver bullion annually, would certainly operate to absorb the surplus, and thus not only prevent further depreciation, but cause such appreciation as would permanently re-establish the ratio of 1 to 16 between the two metals. We all know how sadly their predictions have failed. By the terms of this law it was left discretionary with the Secretary to purchase from two to four million dollars worth of silver bullion each month. As a rule only the minimum amount was purchased.

In 1890 the so called Sherman law passed both Houses and received the approval of President Harrison. It provides for the purchase of $4,500,000 Troy ounces of silver bullion each month, or one thousand eight hundred and fifty tons annually at the market price. It is further provided that payment for this bullion shall be made by the issue of Treasury notes, said notes to be of full legal tender, redeemable on demand, in gold or silver at the discretion of the Secretary. As to insist upon the redemption of any class of legal tender notes in silver would tend to cause depreciation in their value the Secretary is practically deprived of any discretion in the matter. As a consequence these Treasury Notes issued in payment for silver bullion have since been a constant menace to the gold reserve. They are now being presented for redemption in gold almost as fast as issued. A further provision of this Act declares it to be the established policy of the Government to "Maintain the two metals on a parity with each other at the legal ratio."

The so-called Sherman law has now been in operation about three years. During that time the Government must have purchased and stored away

in the Treasury vaults something more than five thousand tons of silver bullion. Contrary to the confident prediction and probable expectation of the "friends of silver," even this enormous artificial demand has not served to absorb the surplus and stop the depreciation. Month by month, almost day by day the value of this metal has depreciated, until to-day the bullion value of a standard silver dollar is less than sixty cents in the money of account.

Ineffectual attempts have been made from time to time to secure the passage of a "free coinage" measure, to the end that ho'ders of silver bullion might deposit the same at the mint and have it coined for private account. The inevitable result of a measure of this character under existing conditions would be the certain and practically instantaneous substitution of the silver for the gold Standard, as the money of account in this country. This should be apparent to every man of ordinary intelligence who will take the trouble to consider it.

In this connection it may be well to say, that it is extremely doubtful if "Free Coinage," and the consequent substitution of the Single Silver, for the Single Gold Standard, would result in any gain whatever to the producers of silver. While a change of this character would necessarily show an *apparent* increase in the value of silver buillon *and all other commodities, gold not excepted*, equivalent to the depreciation in value of the money standard, —*i. e.*, an increase because expressed in terms of a money standard of less value,—it is evident such increase would be *apparent*, not *real*. In reply to the argument sometimes advanced, that the substitution of a Single Silver for the Single Gold Standard, would so increase the demand for Silver Bullion as to cause rapid appreciation in value, it may be said to be more than doubtful if the demand under free coinage would equal the present demand under the Sherman law for 1850 tons yearly. As under free coinage, the bullion value of silver in the market must necessarily govern the value of the coins struck from this metal,—it is absurd to suppose the reverse of this can be true, or that the term by which a coin is legally designated has aught to do with its value,—it is evident silver dollars must pass current at their bullion value. As a consequence there could be no substantial profit in the coinage of silver bullion for private account, and without a very material profit what is to induce the deposit of 54,000,000 ounces each year.?

Further, it must not be overlooked that money is coined and employed only for the *convenience of trade*, and that money coined from metal of so little bullion value as to require from 7 to 10 pounds of it to make a payment, or effect a purchase equivalent to $100 of our present money, would be of doubtful convenience, outside of a very limited field. Indeed it would be an insult to the intelligence of our people to suppose they would be long in finding a substitute of some sort, that would effectually displace a medium of exchange so illy adapted by reason of its cumbersomeness to meet the requirements of commerce and trade.

The magnitude of the experiment the people of the United States have undertaken in their attempt to maintain the parity of two metals at a fixed ratio, which the inexorable law of supply and demand is tending to drive further and further apart, has awakened the serious apprehensions of conservative men at home and abroad To these

men this question constantly presents itself. If the purchase and locking up of 5,500 tons of silver bullion in the comparatively short period of three years, is so inadequate to absorb the surplus that a further depreciation of 30 per cent. has taken place during that time, how much will it be necessary to purchase, not simply to stay further depreciation, but to insure the 80 per cent. appreciation from present value necessary to restore the ratio of 1 to 16?

The gravity of the situation that now confronts us has led President Cleveland to call an extra session of Congress. In his message to that body he urges the immediate repeal of the so-called Sherman law, attributing to that measure the chief responsibility for the distrust now pervading business circles. For the first time the gold reserve has been trenched upon, and the incompatibility of the two provisions of the Sherman law, one providing for the monthly purchase of silver to be paid for in treasury notes redeemable in coin—gold—the other for the maintenance of the parity of the two metals at a ratio of 1 to 16, has forced itself upon public attention.

Notwithstanding the enormous purchases of silver bullion for government account under the Bland and Sherman laws, that metal has depreciated until now the ratio between gold and silver is about 1 to 28½. Still the "friends of silver" in Congress and elsewhere demand free coinage at the ratio of 1 to 16 As has been repeatedly shown two money standards are possible under free coinage only so long as their bullion values are identical. The slightest variation in the relative value of the bullion they contain must, from necessity result in driving the standard of greatest bullion value from the field. It should not be difficult to understand why, under existing conditions, free coinage at the ratio of 1 to 16 would drive gold from the currency. For example it is hardly reasonable to suppose, a rational being would voluntarily deposit say one ounce of gold at the mint, to be coined into twenty gold dollars (about), when by going upon the market he might freely exchange his ounce of gold for 28⅛ ounces of silver, from which the government would coin for him say thirty-seven silver dollars, of equal power as money. Nor is it conceivable that these twenty gold dollars could long continue to circulate as money, when as bullion they would purchase (exchange for) twenty-eight and one-half ounces of silver from which to coin thirty-seven silver dollars. This will serve as a simple illustration of that great law of common sense, which when applied to currency problems, is known as the "Gresham law." Nor should it be difficult to understand why a free coinage law, pledging the Government to convert the bullion of the world into coin without expense to the holder, should necessarily result in substantial coincidence of value between coin and bullion.

Disguise it as they may, the question that confronts Congress to-day is not one of RATIOS, but one of STANDARDS. Which shall it be, GOLD, or SILVER?

Greenville, Mich., August 19, 1893.

From the author
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55TH CONGRESS, 3d Session. } HOUSE OF REPRESENTATIVES. { REP'T 1876 Part 1.

STANDARD OF VALUE, ETC.

JANUARY 31, 1899.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed.

Chas. W.

Mr. STONE, from the Committee on Coinage, Weights, and Measures, submitted the following

REPORT.

[To accompany H. R. 11917.]

The Committee on Coinage, Weights, and Measures, to whom was referred the bill (H. R. 11411) "To define and fix the standard of value and to regulate coinage and provide for redemption thereunder, and for other purposes," respectfully report the accompanying bill as a substitute therefor and recommend that said substitute do pass.

The bill reported does not differ in principle or purpose from the one committed, but only in detail and mode of expression, and hence may be considered without further reference to the original bill.

This measure is no radical departure from existing law or from the system of finance which has prevailed in this country for a quarter of a century and more. It seeks in part by a positive and express reaffirmation of what is believed to be existing law to set at rest all doubt in relation thereto, and to quiet harmful disputes and possible uncertainty. It provides a time and a manner for the execution of the original purpose and expectation upon which portions of our existing law were enacted. It is also intended to cure some defects and supplement some portions of our present system. It relates to the coinage, and hence to the monetary standard of the country—to its demand obligations, and to its national banking system. These subjects might be treated separately, but they have such logical connection one with the other, and such an interdependence one upon the other, as to render their union in a single bill entirely proper and probably wise.

The purpose of this bill is to set at rest all questions as to the existing legal unit of value in this country and to remove all doubt in relation thereto; to protect and strengthen the credit of the United States and the honor of its citizens; to insure the permanent equality and value in the hands of the people of every dollar of the United States and of every kind of our currency of the same denomination; to hold in free and unhampered circulation all kinds of our present money, and to provide an adequate amount of circulating medium of stable value to transact the business of the country.

That it accomplishes these results perfectly may not be asserted. That it shall fully meet the views of every citizen or every legislator who has given this great subject careful study and thought is hardly possible. The purpose aimed at, however, everyone will concede to be wise and proper. As to the best means to accomplish that purpose, some will differ. As the result of their studies they will advance theories that may be more or less sound. They will see in some new system beauties and merits that may exist, but which have not yet been recognized by the average citizenship of the nation. The wise legislator will, however, be slow to depart from systems and principles which actual experience has demonstrated to be sound and safe, and will delay the hazard of new systems and the somewhat inevitable confusion arising from change till fully satisfied that the sentiment of the people and the good of the country alike demand it. Above all, he will guard the honor of his country, her standing among the nations of the world, and not less the well-being of every individual citizen, with scrupulous care. National honor and national credit are the most valuable possessions of any country. The well-being of the individual citizen, the security to him of an adequate reward for his labor, and the protection by the nation of this reward from harmful fluctuations of value which might come from unwise legislation are the sacred trust committed to every legislator.

This bill is conservative in purpose and provision. It seeks to strengthen, solidify, and fortify our present system, rather than to build anew. Its purpose may be defined in three words, "To remove danger," or, perhaps better, the apprehension of danger. It especially seeks to allay at home and abroad all doubt as to the present and permanent quality of our money and to make and keep the credit of the nation above the reach of successful attack or well-grounded apprehension. How each section of the bill contributes to the accomplishment of this general purpose it is the intent of this report to briefly explain.

SECTION 1.—THE GOLD STANDARD.

The first section embodies in definite, distinct, and unmistakable terms a recognition of the gold standard in our financial system and of the gold dollar of the present weight and fineness as the unit of value. Your committee do not understand this to be any change of existing law, but rather a reaffirmation thereof, so definite and distinct as to leave no ground for doubt, no basis for discussion or dispute. The act of February 22, 1873, provides that "the gold coins of the United States shall be a one-dollar piece, which at the standard weight of twenty-five and eight-tenth grains shall be the unit of value," etc., and this was reenacted in the same words in the Revised Statutes of 1874. There has been no subsequent change in this law, except by the discontinuance of the actual coinage of the gold-dollar piece. The act of 1878, providing for "the coinage of the standard silver dollar," made it legal tender without limit, but made no change in the definition of the "unit of value."

Prior to 1873 there had been no statutory definition or fixing of the unit of value. The original coinage act of 1792 provided that "The money of account of the United States shall be expressed in dollars or units, dimes or tenths, cents or hundredths, and milles or thousandths," and later provided for the coining of "dollars or units, each to be of the value of the Spanish milled dollar as the same is now current and to contain 371¼ grains of pure or 416 grains of standard silver," and

the eagle is prescribed to be "of the value of ten dollars or units and to contain 247½ grains of pure gold." The unit referred to seems clearly to be the unit of account, and to have been understood to be synonymous with the word dollar. This is apparent from the law itself and from the contemporaneous construction of the men who framed the law. Hamilton, who drew it, in communicating it to Congress, says:

The secretary is, upon the whole, strongly inclined to the opinion that a preference ought to be given to neither of the metals for the money unit. Perhaps if either were to be preferred it ought to be gold rather than silver.

And as a reason he says:

Gold may, perhaps, in certain senses be said to have greater stability than silver, as, being of superior value, less liberties have been taken with it in the regulations of different countries. Its standard has remained more uniform, and it has in other respects undergone fewer changes, as, being not so much an article of merchandise, owing to the use made of silver in the trade with the East Indies and China, it is less liable to be influenced by circumstances of commercial demand. And if, reasoning by analogy, it could be affirmed that there is a physical probability of a greater proportional increase in the quantity of silver than in that of gold, it would afford an additional reason for calculating on greater steadiness in the value of the latter.

As long as gold, either from its intrinsic superiority as a metal, or from its greater rarity, or from the prejudices of mankind, retains so considerable a preeminence in value over silver, as it has hitherto had, a natural consequence of this seems to be that its condition will be more stationary. The revolutions, therefore, which may take place in the comparative value of gold and silver will be changes in the state of the latter rather than of the former.

But still, on a review of the whole matter, he concludes that—

It seems to be most advisable, as has been observed, not to attach the unit exclusively to either of the metals.

Jefferson entertained the same views, as he writes to Hamilton:

I concur with you in thinking that the unit must stand on both metals.

The law of 1792 unquestionably undertook to establish a double standard. It was an innovation in the financial history of the world, and it was a failure. To succeed, it was indispensable that the market ratio between the two metals should be held exactly at the mint ratio. Otherwise, the undervalued metal went out of circulation and the other alone became the unit of value. To prevent this, the ratio was changed twice without permanent results, demonstrating that the country might have an alternating, but could not have a double standard. The burden shifted from one to the other metal as the commercial ratio of value between the two changed, carrying out of circulation the undervalued metal. The futility of the effort to maintain the double standard was recognized in 1853, when the ratio was again changed by the reduction of the amount of silver in the subsidiary coins, the only silver coins then in circulation. The declaration was then made in the House of Representatives by the Chairman of the Committee on Ways and Means that—

We intend to do what the best writers on political economy have approved; what experience, when the experiment has been tried, has demonstrated to be necessary and proper—to make but one standard of currency and to make all others subservient to it. We mean to make gold the standard coin, and to make these new coins applicable and convenient, not for large, but for small transactions.

And in the debate another member of the same committee said:

Another objection urged against this proposed change is that it gives us a standard of gold only. * * * What advantage is to be obtained by a standard of the two metals, which is not as well, if not much better attained by a single standard, I am unable to perceive; while there are very great disadvantages resulting from it, as the experience of every nation which has attempted to maintain it has proved. Indeed, it is utterly impossible that you should long at a time maintain the double

standard. * * * Gentlemen talk about a double standard of gold and silver as a thing that exists and that we propose to change. We have had but a single standard for the last three or four years. That has been and now is gold. We propose to let it remain so, and to adapt silver to it, to regulate it by it.

The impossibility of maintaining a double standard of the two metals had long before been recognized. In a very able report presented to this House as early as 1831, Mr. Campbell P. White, of New York, says:

That there are inherent and incurable defects in the system which regulates the standard of value in both gold and silver; its instability as a measure of contracts and mutability as the practical currency of a particular nation are serious imperfections, while the impossibility of maintaining both metals in concurrent, simultaneous, or promiscuous circulation appears to be clearly ascertained.

That the standard being fixed in one metal is the nearest approach to invariableness and precludes the necessity of further legislative interference.

And in another report in 1832 he further states:

If both metals are preferred, the like relative proportion of the aggregate amount of metallic currency will be possessed, subject to frequent changes from gold to silver, and vice versa, according to the variations in the relative value of these metals. The committee think that the desideratum in the monetary system is the standard of uniform value; they can not ascertain that both metals have ever circulated simultaneously, concurrently, and indiscriminately in any country where there are banks or money dealers, and they entertain the conviction that the nearest approach to an invariable standard is its establishment in one metal, which metal shall compose exclusively the currency for large payments.

Congress, however, persisted in the attempt to retain the double standard, and for that purpose readjusted the ratio in 1834 and again in 1837. The effort, however, was a failure. The commercial ratio, controlled only by natural laws, departed from the mint ratio fixed by statute, and thus departing, took with it out of circulation the undervalued metal.

The law of 1853, although not in terms dealing with the unit of value, recognized existing facts, and while for years before 1873 the standard had practically been of gold, the law of that year is the first legal declaration of that fact. With its enactment, however, the conflict of ideas did not cease. The contest between antagonistic purposes, theories, and interests continued and produced the coinage legislation of 1878 and 1890, both compromise measures, resulting in so hampering and burdening the standard adopted as to give it the designation of the "limping standard." It is the intent of this bill to remove this "limping" element, and to establish beyond doubt the gold standard, already adopted by the other great nations of the world.

Why should it be so adopted? Perhaps the reason can not be better given than to quote from the able preliminary report of the Monetary Commission of 1898:

There must be some standard of value. The standard must have a market value as a commodity independently of any governmental fiat and of all legal-tender laws; it must be durable; it must be homogeneous; it must have a maximum of value proportioned to its bulk; it must have, as a commodity, as stable a market value as possible, and in order to secure the stability of that market value, the relation between its supply and demand must be as constant as possible. Gold alone fulfills these conditions. The civilized world has, therefore, determined that the standard shall be gold. No government, however powerful, can in fact reverse that determination, or, without injury to the interests of all its people, attempt to establish any other standard of value. * * *

* * * Many of our fellow-citizens have hoped in all sincerity that the problem of the standard would be solved by international bimetallism. An earnest effort has been made to realize that hope, but it must now be abandoned. The only alternatives, therefore, are the continued maintenance of the existing gold standard or the adoption of the silver standard. If the latter alternative be taken, the obligations of the United States, of the States, of all municipalities, of all private corporations, and of all individuals, the receipts of income from every source, the proceeds of

policies of insurance, the deposits in banks and saving funds, and the wages of labor will then be payable in a debased and depreciated currency; and individual and corporate bankruptcy, and worst of all, national dishonor will follow. If the former alternative be taken, and the necessary means be adopted to secure the stability of the gold standard, the credit of the country will be established; the national debt can be refunded at lower interest rates; the surplus capital of the world will come here to find profitable investment, and our country will enjoy the prosperity that follows a currency system based upon a stable standard of value.

Congress may designate a legal standard, but the great forces of commerce and the common consent and concurrent recognition and acts of men fix and determine the real standard. Parliamentary action may direct attention and influence opinion, but it is the choice and judgment, the acts and habits of the mass of the people that really fix the standard. Congress could directly or indirectly establish silver as the legal standard—and by injudicious legislation heretofore it has gone far toward such goal—and then this standard would enter into our daily computations of domestic value, but the real standard would remain that of the commercial world, and by that values would be fixed in the ultimate estimation. Gold would nominally be at a premium and go out of circulation, but silver would really be at a discount. Men would retain in mind the real standard and measure values by that while expressing them in terms of the other.

Congress could put this nation out of touch and unison with the commercial world, but the great operations of trade would move on in other lands unaffected. Only in this country would values be unstable as exchange would fluctuate. Only here would the laborer find his day's work of reduced and unstable purchasing power, returning to him a less and uncertain equivalent in the necessaries of life. Only here would the merchant add to the price of his goods, and thus extort from his customers compensation for the risk he encounters from fluctuation in the exchange value of the standard dollar, which would be an Ishmaelite among the nations of civilized trade. Only here would financial chaos reign supreme.

The United States can take no such risk. She can leave open no such possibility. The world of trade and commerce has adopted the standard of gold. Nation after nation has adjusted its system to it. Modern methods and the inventive genius of man have brought the nations into closer material, social, and moral touch with each other. Communication and intercourse are quicker and more complete, and the powers of ignorance, prejudice, and pride are being swept away. No nation in this grand "age on ages telling" can afford to isolate itself, and least of all this great progressive American people. We are entering on a new and wider career of commercial competition. We can not be hampered by insular methods, discarded theories, or inferior standards. We can not afford that there shall be doubt or uncertainty in our position, either in the minds of our own people or the nations of the world. Our credit is of too much value to be thus endangered; our business too immense and important to be thus demoralized or paralyzed.

By the act of November 1, 1893, Congress delared its fixed purpose to maintain its gold and silver money "of equal intrinsic and exchangable value, such equality to be secured through international agreement, or by such safeguards of legislation as will insure the maintenance of the parity in value of the two metals and the equal power of every dollar at all times in the markets and in the payment of debts." The effort to secure such equality "through international agreement" has been made, honestly and persistently made, and failed. Now the

"safeguards of legislation" must be invoked, and this bill is one of them. It stands in the way of no future international agreement. If the nations of the world can ever be brought to unite in an honest effort to maintain silver at any agreed ratio of value to gold, the United States, as a great silver-producing nation, will assume its share of the responsibility. Such value can only be maintained by furnishing to owners of silver an unlimited market at a fixed permanent valuation. If this could be accomplished, it might give us another measure of value, but it would leave but one standard. It would be simply by artificial means bringing silver into a certain fixed relation of value to gold, but gold would remain the standard from which and by which this relation would be computed.

Let there be no misapprehension of terms. A double, bimetallic standard is impracticable—impossible. A bimetallic currency is practicable and desirable, and is promoted, strengthened, and fortified by this bill. There is a great difference between a bimetallic standard and a bimetallic currency, and no misapprehension or popular prejudice should be aroused by a confusion of the two ideas. We adopt gold as the standard, because it is the most stable in value and hence the most just and safe standard by which to measure other values. We promote the convenience of the people by providing an adequate supply of both silver and gold in our currency, but we can only do it with justice to them by protecting them from the possible depreciation of silver in their hands, and hence we throw about it such safeguards, by limiting its coinage and providing for its exchange, as will maintain its parity with our gold and paper currency.

The only possible way for one nation by itself to maintain a bimetallic currency is to fix the more valuable metal as the standard and then sustain the cheaper metal at a parity by the reinforcement of the nation's credit; but this can only be done within the safe limits of such credit.

SECTION 2.—OBLIGATIONS MADE PAYABLE IN GOLD.

The second section is the natural and logical corollary of the first. It engrafts the standard therein defined upon all contracts between individuals, but preserves by specific proviso all existing legal-tender laws from any possible inferential repeal or impairment by any of the other sections of the bill. Under it all obligations for the payment of money are payable in the dollars of the standard prescribed in the first section, except in so far as the Government heretofore, by vesting in some other dollar legal-tender qualities, has made it receivable in payment of such debts. As a matter of fact, if this bill becomes a law, it will be of no possible consequence in what particular kind of dollar of the United States a debt is payable, as any one will be as good as any other and everyone exchangeable for any other, and the kind of money to be paid and received will be merely a matter of convenience, and not of profit or loss.

The section further expressly declares what has long been well understood, and what follows as an inevitable result from the repeatedly and solemnly declared intention and fixed purpose to preserve at all times the parity of gold and silver in the currency of the nation at its coinage ratio, viz, that all the obligations of the United States, unless otherwise specifically provided, are payable in gold coin at the option of the creditor. For these obligations the Government has received in some cases the actual gold and in all its equivalent value. They

have all been contracted when gold was either the legal or actual standard, and by the same standard under which the debts have been incurred they should be paid.

The non-interest-bearing obligations of the Government, known as greenbacks and Treasury notes, and payable by their terms simply in "coin," have long, if not always, been understood, both by the holders and the Government to be payable in gold coin, and have been so paid to the amount of many millions of dollars. The refusal to so pay on demand would at once send gold to a premium, and thus destroy the parity between the two money metals, which Congress by the acts of 1890 and 1893 has declared must be maintained. This bill simply proposes to clothe in plain language and place on the statute books in explicit terms the necessary consequence of existing law. The fixed policy of the Government to maintain the parity between gold and silver in our currency makes the obligations of the Government, in fact, payable in gold. This bill simply proposes to declare by law what is already a fact, and to declare it in a way that every one can understand. Every contract should, if possible, be so certain in its terms as to preclude dispute. Ambiguity and uncertainty inure to the benefit only of the speculator and the lawyer.

Had the Government heretofore been wise enough to plainly state in its obligations what it clearly understood and knew to be the fact, viz, that they would be paid in gold, it would have saved millions of dollars to the public Treasury. On a single issue of bonds within a few years the President officially informed Congress that the saving by such an explicit declaration would be $16,000,000. This loss to the Government is, to a large extent, a loss to the country also, as these bonds are largely held abroad.

There will be $100,000,000 of this nation's 5 per cent bonds redeemable in 1904, and $559,640,160 of 4 per cent bonds redeemable in 1907, and the passage of this act would, in the opinion of practical financiers, enable the Government to refund these bonds at 2½ per cent, thereby saving to the Government many million dollars in interest charges.

Payment of a national obligation rests on national honor. It can be forced only by the power of a stronger nation. The value of its obligations, then, depends on the confidence of the men who hold or who may be willing to hold them in the intention and ability of the debtor nation to pay them in the world's money of commerce. No one doubts the ability of the United States to pay; no one impugns our national honor. It requires, then, only an unequivocal declaration of our purpose to pay according to the common standard of all the great commercial nations of the world to place our national credit on the very pinnacle of universal confidence. It requires only the certainty that the money returned to the creditor when his debt matures will be as good as that which he loans to bring to the business operations of this country all the capital needed for their fullest development, and to bring that permanent prosperity which comes from fixed and favorable conditions.

In corroboration of the views expressed by your committee they quote from the Annual Report of the Secretary of the Treasury for 1897 as follows:

> The advantage involved in the proposed action lies in this: It removes an ambiguity from our contract relations, an ambiguity which affects unfavorably the Government credit. The word "coin," now used to express the obligation in the public debt, is an ambiguous word. It is no doubt understood by the more discriminating public creditor to mean gold coin, and the solemn act of Congress pledging the maintenance of silver coin upon a parity with gold coin makes it impossible to construe the word "coin" as therein used to mean anything other than gold or its full

equivalent. Yet, as this is a conclusion of logic rather than a clear statement of fact, the simpler and more humble investors or would-be investors in the public debt are confused and doubtful and the public credit is the weaker therefor.

SECTION 3.—COINAGE.

The best and the worst that can be said of the third section is that it is a restatement of existing law. It is incorporated in the bill for convenient reference and to give symmetry and completeness to its provisions, and is declaratory of the fixed purpose and policy of the Government as to its metallic money.

SECTIONS 4, 5, AND 6—GOLD RESERVE.

The fourth, fifth, and sixth sections make provision for a reserve for the redemption of the United States notes and Treasury notes and for exchange for gold of silver dollars when required and for the redemption of outstanding gold and currency certificates. There is no provision in existing law for any gold reserve except as it may be inferentially drawn from the act of July 12, 1882. It has been the judgment of eminent and experienced financiers that a hundred million dollars should be held in the Treasury as a reserve against the greenbacks and Treasury notes, and it has been the policy of the Government to maintain a reserve of that amount; but its preservation is a matter of prudent and wise judgment by the Secretary of the Treasury rather than of statutory requirement. This bill gives to the keeping of such reserve the sanction of law, provides for its formation and replenishment as necessity may require, and for its separation on the books of the Treasury Department from the general fund, and protects it from encroachment by the ordinary demands of the Government.

This reserve fund, provided for in the bill, is made up; first, of the gold coin and bullion, for which gold certificates are outstanding, which necessarily equals the amount of such gold certificates, which on January 1, 1899, amounted to $36,808,999; secondly, of the United States notes held against outstanding currency certificates, which on January 1 amounted to $20,685,000; third, of the silver dollars in the Treasury for which silver certificates are outstanding amounting January 1, 1899, to $399,430,504; fourth, of the silver bullion in the Treasury purchased by the Treasury notes and pledged to their redemption, amounting January 1 to 101,394,482.30 ounces, costing $101,733,319.56; fifth, of an amount in gold coin and bullion equal to 25 per cent of the United States notes and Treasury notes outstanding, which January 1, would have amounted to $110,801,224, there having been then outstanding $346,681,016 in United States notes, and $96,523,280 in Treasury notes; sixth, of a sum in gold equal to 5 per cent of the aggregate coinage of the silver dollars, which on January 1 would have been $23,512,242.75, there having been before that date coined 470,244,857 silver dollars.

The first four items, being specifically pledged to the redemption of particular obligations, do not enter into the general redemption fund.

The reserve against the Government demand notes is substantially what has long been held and considered a proper amount. The five per cent of the coinage of silver dollars is provided for the exchange for gold of any that may be presented for that purpose. It is not thought that any considerable sum will, as a matter of fact, be presented for such exchange, for the reason that if the people are entirely satisfied that they are, and are to remain, as good as gold, there will

be no motive to desire this exchange. The silver certificates, being all in small denominations, will enter into the everyday business, and small exchanges of the people, will be widely disseminated and can not be spared from the daily wants of the people, nor easily gathered up to raid the Treasury, were there any motive for such action.

For the replenishment of this reserve in case of emergency, or inability to keep it intact by transfer of Treasury funds, provision is made for the sale of bonds at a lower rate of interest than now authorized. Existing law provides for the sale of three kinds of bonds, viz, 5 per cent ten year bonds, 4½ per cent fifteen-year bonds, and 4 per cent thirty-year bonds, and the act of July 3, 1896, authorizes the Secretary of the Treasury to use any of these bonds to purchase coin. The bill under consideration provides for a more saleable bond, on a more acceptable time and at a lower rate of interest.

Under the law as it now stands there is nothing to protect the gold reserve from being encroached on for ordinary expenses whenever the general fund is exhausted; in fact, it is a part of the general fund, intended to be maintained as a surplus over and above the amount necessary to meet the ordinary expenses of the Government, but in no way protected against them. This bill provides for its separation on the books of the Treasury and its being carried thereon as a distinct fund, not to be used for any purpose except that to which it is by law dedicated. To insure the strict and systematic fulfillment of this purpose, this bill creates a new division in the Treasury Department, having full charge of the issue and redemption of the Government demand obligations and the exchange of its different kinds of money. These operations are thus kept entirely distinct from the general operations of the Treasury, and are more clearly understood and more systematically and efficiently conducted.

SECTION 7.—EXCHANGE OF DIFFERENT KINDS OF MONEY.

By this section the Government assumes frankly and boldly the obligations and the possible burden of keeping every dollar of currency issued by it on a par with every other dollar, and it does this by making any and every dollar issued by the Government exchangeable at the Government counter, directly or indirectly, for any other kind of Government dollar which may be desired. This, in terms, increases the gold obligations of the Government to the extent of the outstanding amount of silver dollars, in exchange for which gold may be demanded. In fact this is no increase, for the obligation now resting on the Government to maintain the parity of the two metals, practically requires the exchange of gold for silver whenever necessary to maintain this parity, and this can only arise when silver is or is thought likely to become the less valuable of the two metals. When such condition does not exist, no demand for exchange will arise under the proposed law; and when it does exist, it must be met, even under the present law. Hence, the increase of the gold liability of the Government by expressly providing for the exchange of gold for silver is rather nominal and apparent than substantial and real.

The assumption that this bill in any way impairs any of the money qualities of the standard silver dollar is utterly unfounded. Its legal-tender quality is carefully preserved by express provision. The allegation that it is made by the bill redeemable in gold and by this means converted into token money is incorrect, and grows out of lack of an accurate knowledge of the meaning of words. The bill nowhere pro-

vides in any way for redemption of silver dollars in gold. As well might it be said that it provides for the redemption of the gold coins in silver and that thus their money qualities are impaired. The mutual exchange of one for the other is provided for, and not the redemption of either. "Swapping dollars is no redemption," as was well said by an eminent authority.

Provision is made for the redemption of Government notes, but simply for the exchange of silver for gold and gold for silver, and also of Government notes for gold; and no one will claim that by such exchange for Government notes gold is redeemed.

But, even conceding it to be a distinctive redemption, it is still a necessity to save silver from utter discredit. It is of no use to withstand stubborn and immutable facts. Silver is a depreciated metal, and must inevitably be discredited in coinage, except for the artificial support given it by the Government. The silver dollar has in it approximately 50 cents of value (having averaged during last year $0.44607) and 50 cents of Government credit. It is to that extent a Government obligation, to be met like any other Government obligation. But the part of the dollar which is Government credit can not be redeemed without the rest, and hence the whole dollar must be redeemed, if redemption is demanded, and only in this manner can its face value be kept unimpaired. This fact is recognized by other countries besides our own. The Latin Union in extending their compact in 1885 provided that if any 5-franc pieces were thereafter coined they should be redeemable in gold by the country coining them; and one-half of all 5-franc pieces theretofore coined should, on the dissolution of the Union, be redeemable in gold.

An undue proportion of silver in the currency can be prevented from depreciation in no other way, and the effective way for repressing a desire for exchange of the two metals is to make the possibility of such exchange easy, and fully understood as certain and easy, and then it will not be asked.

We have committed ourselves too fully to the policy of maintaining the parity between the two metals, by governmental action if necessary, to turn back now. The Government has issued and put into the hands of the people 470,244,857 silver dollars at 100 cents each, receiving full equivalent therefor, and has pledged itself to maintain their par value, and faith must be kept. Every one of those dollars is practically a gold obligation to-day. This bill simply, frankly, and honestly recognizes that fact. It increases the real gold obligations of this Government not one cent.

SECTIONS 8 AND 9.—RETIREMENT OF UNITED STATES NOTES AND TREASURY NOTES.

The gradual retirement of the Government's demand notes is provided for in sections 8 and 9. For the first five years they are retired only as presented for payment in gold and to an amount not to exceed the increase in national-bank circulation during the same period. It is improbable that any very large amount will be retired under this section, and it is impossible that any contraction of the currency can result therefrom. Under the provisions of section 10, when paid in gold they would be retained in the Treasury till released by the presentation of gold in exchange for them, and the eighth section simply retires so many of them thus redeemed in gold as have been replaced in our currency by the increase of national-bank circulation.

At the end of five years the systematic retirement of our demand notes begins and proceeds for five years as said notes are received by the Government in the regular course of business. No compulsion is provided to bring them in, and if the people don't want them retired they have only to hold on to them and keep them in circulation without their reaching the National Treasury. At the end of ten years they cease to be legal tender, but remain a gold-demand obligation of the Government and are receivable for all dues to the United States.

It will thus be seen that the retirement contemplated is gradual, with abundant previous notice and full provision for any necessary preparation. There is no ground for reasonable apprehension that such retirement will produce any hurtful contraction of the currency. There is more probability that five years hence with the development of an efficient bank system the volume of currency will have become so large that the Government notes can be spared without inconvenience.

During the fiscal year 1898 our stock of gold coin and bullion in this country increased $165,275,764. The receipts of gold bullion at our mints and assay offices in 1898 were $147,693,195, againt $87,003,338 in 1897. There was imported into the United States in 1898 gold to the amount of $120,402,195 and exported $15,533,719, giving a net gain of $104,869,476. The increase in the deposits at our mints and assay offices is due to the active development of our different mining sections, and especially to the receipts from the Klondike field. There is every reason to believe that this production will continue to increase, and probably quite largely.

The Director of the Mint estimates that the average annual world's product of gold for the next ten years will be double that of the last ten, and America will have her full share thereof.

The imports of gold are part of the outcome of the great balance of trade in our favor. Our total exports during the fiscal year 1898 were $1,231,482,330, and the total imports $616,050,654, leaving a balance of $615,431,676 in our favor, a part of which was evidently paid in gold. There is no reason to anticipate a reversal of these trade conditions as long as the present policy of the Government is maintained.

These two agencies must, then, produce a large increase in our stock of gold in the next five years. Add to this the increase that under the operation of this bill would undoubtedly take place in our national-bank circulation and it is probable that five years hence the Government notes will not be needed for currency purposes and can easily be spared from our circulation. If they are to be retired at all, now is unquestionably a favorable time to commence the work.

This brings us to the question, Should they be retired at all?

In the first place they were never intended as a permanent part of our currency. They were issued in the emergencies of the rebellion as a war measure. They were a forced loan from the people, to be repaid as soon as it could well be done. This is evident from the title and provisions of the first bill authorizing their issue. It was "An act to authorize the issue of United States notes, and for the redemption and funding thereof, and for funding the floating debt of the United States," and it provided that "any holder of said United States notes depositing any sum not less than fifty dollars, or some multiple of fifty dollars, with the Treasurer of the United States or either of the assistant treasurers shall receive in exchange therefor duplicate certificates of deposit; one of which may be transmitted to the Secretary of the Treasury, who shall thereupon issue to the holder an equal amount of the bonds of the United States, coupon or registered, as may by said

holder be desired, bearing interest at the rate of six per cent per annum, payable semiannually, and redeemable at the pleasure of the Government after five years, and payable twenty years from the date thereof." The country then had no money and was powerless to provide for payment therewith. It therefore provided for the payment and redemption of said notes on demand in the only way then practicable, viz, by conversion into an interest-bearing bond, payable at a definite time. This shows that the men who created the greenbacks regarded them as only a temporary expedient, to speedily pass out of our currency system.

The act of July 11, 1862, "To authorize an additional issue of United States notes, and for other purposes," repeated this provision for funding, and added, "*Provided, however*, That any note issued under this act may be paid in coin, instead of being received in exchange for certificates of deposit, as above specified, at the direction (discretion) of the Secretary of the Treasury," still indicating that these notes were regarded as a debt to be speedily paid. After the war closed, the payment of these debts commenced as soon as practicable.

The act of April 12, 1866, authorized the sale of bonds "the proceeds thereof to be used only for retiring Treasury notes or other obligations issued under any act of Congress," but with the limitation "that of United States notes not more than $10,000,000 may be retired and canceled within six months from the passage of this act, and thereafter not more than $4,000,000 in any one month." Under this law the Secretary of the Treasury paid off and retired $59,164,318 of these notes, when Congress intervened, and by the act of February 4, 1868, which became a law without the approval of the President, provided that "the authority of the Secretary of the Treasury to make any reduction of the currency by retiring or canceling United States notes shall be, and is hereby, suspended."

The next year, however, was passed the act of March 18, 1869, "to strengthen the public credit," which declared in its opening sentence, "That in order to remove any doubt as to the purpose of the Government to discharge all just obligations to the public creditors" it is provided, etc., and the last sentence of this law reads as follows, viz: "And the United States also solemnly pledges its faith to make provision at the earliest practicable period for the redemption of the United States notes in coin."

This was primarily an assurance to the holders of the Government's obligations that they should be paid in specie. But it was also a solemn pledge of the faith of the Government to the earliest practicable "discharge" of its obligations to the public creditor holding its demand notes, by payment in coin, and thus wiping out of existence the evidence of its indebtedness.

The resumption act of January 14, 1875, made it the duty of the Secretary of the Treasury to redeem the United States notes till the amount outstanding would be reduced to $300,000,000, and he had redeemed and retired the further sum of $35,318,984, when Congress again intervened and passed the act of May 31, 1878, "To forbid the further retirement of United States legal tender notes." This was the same Congress which passed the Bland-Allison silver coinage act and gave to the country the then novel device of the silver certificate. It was wild for "more money" without much reference to the quality and with no apparent regard for the solemnly plighted faith of the Government.

A government's obligation rests only on its honor, and hence that

honor should be scrupulously guarded. If its notes are but evidences of the debt of the Government, to the payment of which, "at the earliest practicable period," the faith of the nation was solemnly pledged, that pledge ought to be kept, regardless of other considerations.

But, secondly, these notes have been and may again become a serious menace to the Government. They have been the convenient means of largely depleting the Government's supply of gold and creating doubt and distrust of the Government's ability to maintain the parity of the two metals in its currency, and thus the credit of the nation at home and abroad has been seriously imperiled, alarm has been spread through business circles, and the enterprise of our people been more or less paralyzed. It is no answer to say that this is a matter of the past and does not exist to-day. Fortunately that is so, and hence to-day is the time to remedy the mistakes of the past and guard against a recurrence of the dangers to which these mistakes led. If a leaky roof exists, there is no wisdom in saying in fair weather that it does not need mending because the rain is not then going through it. It is no time to mend it in the pelting storm or the raging cyclone. It can best be done when the roof is dry and the sun is brightest.

If we have a weak link in the chain of our financial system, the time to repair and strengthen it is not when the strain is on, for the attempt then may be fraught with danger, but rather when the strain is removed and it can be brought to the anvil to be reforged. So in this season of prosperity, of ease and quiet in financial circles, of stirring activity in business life, we can best and safest carefully inspect our financial system, remedy the defects, and remove the dangers.

There is eminent authority for the assertion that there is no way of judging of the future but by the past, and if in the past the Government notes have formed an "endless chain" to remove the gold from our vaults, if they have brought doubt, distrust, and danger to our people, confusion and paralysis to our business operations, and loss and embarrassment to the Government, they are liable to do it again; and hence the possibility ought to be prevented.

But it may be said that this means the sale of bonds and payment of interest. If the welfare of the people is involved, cost ought not to be counted. If the honor of the nation has been pledged and is at stake, cost must not be counted. But how about the bugbear of bonds? To keep these notes has already cost the nation the issue of $262,315,400 of bonds, and even that did not diminish their volume one dollar. If allowed to operate in the same way, it is entirely conceivable, but not immediately probable, that they may cost another, and equal or larger issue. On the other hand, they can be wiped out of existence and all danger from them forever removed by the issue at most of a less amount of bonds. To demonstrate this it will appear that, exclusive of those in the Treasury, there are outstanding $94,942,741 of Treasury notes. If this bill passes with its provisions for keeping all our forms of money of equal value, these notes will easily be redeemed in the silver dollars coined from the bullion for which the notes were given, and as contemplated by the law authorizing them.

There are of United States notes outstanding, exclusive of those in the Treasury, $312,415,738. Apply to this the gold reserve now on hand, or only that required by the bill to be maintained, viz, $110,801,074, and it is evident that the bonds on the highest estimate required to pay off and retire these notes will be much less than it has already cost us to keep them.

But suppose bonds have to be issued and interest on them paid, what

amount of additional burden does this impose on the nation? There is expense attached to the issue and reissue of these notes, the keeping accounts thereof, the holding of over a hundred million dollars of idle gold in the Treasury against them, and when all is figured up the saving over a square bond issue is very small. Ex-Senator Edmunds, before the Banking and Currency Committee, speaking for the Monetary Commission, said:

The commission made careful investigation of that and got the figures and statistics—which I have not at hand now—and the result of our investigation in reference to the saving of interest was that when you take all the expenses of the accounting and the amount of reserve we have held all the time, the amount of interest we have saved, in round numbers, would not amount to 1 per cent; I do not remember exactly but it was not more, I think, than 1 per cent a year. In fact, balancing the accounts on honest business principles, taking all debits and credits on our outstanding Treasury and United States notes, we found that it was almost entirely an illusion to suppose we are saving much of it.

This computation probably does not include the payment of interest on bonds issued to protect the Treasury against these notes. If it did it would appear that we are keeping these notes in circulation at a positive loss to the Government.

This little saving, if there is such, by no means compensates for the anxiety and danger brought to the nation, nor should it stand a moment between the nation and the fulfillment of its pledged faith.

But it is said there is a sentimental attachment to the greenbacks because they saved the life of the nation. This may be true, but this is now a question not of sentiment, but of safety. The old-fashioned muskets that our boys carried and the cannon that now ornament our cemeteries and public parks may be said to have saved the life of the nation, but we would hardly insist on using them against an enemy's more effective weapons of modern warfare. The note discounted to pay the physician may be said to have saved the life of the sick child, but that is scant reason why it should permanently remain unpaid to the destruction of the credit of the maker and to the possible peril of his home. These notes are a debt. They have remained unpaid and without interest for thirty-five years. The nation is able to pay them. Her resources are ample; her credit is unbounded. Let her follow the path of honor and safety and pay them.

Third, it was never contemplated that the nation should engage in the banking business. Gradually it has come to exercise the functions of a bank, both of deposit and of issue. The sooner these abnormal governmental operations are discontinued the better, but it should be done gradually and prudently, and without shock to the vast financial mechanism of this great nation.

SECTION 10.—NOTES REDEEMED IN GOLD ONLY TO BE REISSUED FOR GOLD.

The committee, by the approval of section 10, have accepted the recommendation and reasoning of the President in his last annual message, as follows:

That when any of the United States notes are presented for redemption in gold and are redeemed in gold, such notes shall be kept and set apart and only paid out in exchange for gold. This is an obvious duty. If the holder of the United States note prefers the gold and gets it from the Government, he should not receive back from the Government a United States note without paying gold in exchange for it. The reason for this is made all the more apparent when the Government issues an interest-bearing debt to provide gold for the redemption of United States notes—a noninterest-bearing debt. Surely it should not pay them out again except on de-

mand and for gold. If they are put out in any other way, they may return again, to be followed by another bond issue to redeem them—another interest-bearing debt to redeem a noninterest-bearing debt.

Nothing need be added in further explanation of this section.

SECTIONS 11 AND 12—ADDITIONAL SUBSIDIARY SILVER COIN.

We have in circulation and in the Treasury about $76,000,000 in subsidiary silver coin. This is scarcely more than we had twenty years ago, and considerably less than we had six years ago. For twenty years we have coined no new subsidiary coin, except from worn and uncurrent coin and the small amount of partings and savings at the mints. Hence our volume of subsidiary coin has diminished rather than increased. Meantime the nation has grown in population by many millions; its business has vastly expanded; its habits of life and methods of business have so changed as to require more rather than less of "change" money; the cost of production and transportation, and hence the cost of purchase, of very many articles has been greatly lessened; the dollar is more frequently and more unevenly subdivided in the retail transactions of every-day life than was done twenty or thirty years ago. The demand on the Treasury and mints for new halves, quarters, and dimes is practically continuous. The last superintendent of the Philadelphia Mint estimated that we could use $50,000,000 more of subsidiary coin in the near future. The Secretary of the Treasury says:

> The demand for new fractional silver coin since 1890 has been much greater than the amount coined, and the Treasury has been compelled to pay out worn coin, as the amount of new coins manufactured has been limited to the appropriation made for the payment of loss on recoinage of such coins.

And he expresses the opinion that $50,000,000 additional subsidiary coin would be absorbed into our domestic currency in a few years. Add to that the additional demand that is bound to come from Hawaii, Porto Rico, Cuba, and probably the Philippines, and the necessity for an increase in our fractional silver coinage becomes a pressing one that should not be neglected.

Assuming, then, as beyond successful dispute that more subsidiary coin is needed, the question arises, how can this want be best supplied? The Government had on hand January 1, 1899, 101,394,482 ounces of silver bullion, purchased under the law of July 18, 1890, costing $101,733,319, and for which demand notes of the Government, generally designated as "Treasury notes," have been given, and $96,523,681 of which are now outstanding. By the provisions of the law of 1890 this bullion is to be coined into silver dollars as fast as may be necessary to redeem the notes given for its purchase, but the war-revenue act of 1898 prescribes that this coinage shall be carried on at the rate of one and a half millions of dollars per month. We had, however, in the Treasury on January 1, 405,061,304 silver dollars, against which there were outstanding $399,430,504 in silver certificates, of which $7,098,509 were held in the Treasury, and in actual circulation there were 65,183,553 silver dollars, making an aggregate of 470,244,857 of coined silver dollars in the country. Why coin more? They are not demanded by the people and will not be used as currency, but will simply be deposited as the basis for an anomalous paper currency, of which the country has already a sufficiency, if not an excess.

If, on the other hand, this bullion, or a part of it, is coined into half-dollars, quarters, and dimes, it will go into actual circulation and stay there, ministering to the wants and convenience of the people in the

minor transactions of daily life and trade, seldom returning for redemption in any way until below the limit of toleration, and never in any way to embarrass the Government or affect its credit. Fully a third of the bullion on hand, and probably more, could thus be easily absorbed into the currency of the country in a way that would materially contribute to the convenience of the people. It would yield to the Government more currency than if coined into dollars, and of a kind that would not clog the customs collecting offices and the channels of trade, as the silver dollars and their paper representatives have at times done.

This silver bullion is, however, pledged to the redemption of the Treasury notes given for its purchase, and hence an amount of such notes equal to the cost of the bullion coined into subsidiary coin must be redeemed by the Government and canceled.

There was in the Treasury on January 1, 1899, about $3,000,000 in worn and uncurrent silver coin. There is no legal authority for the recoining of these coins, except as it is given from year to year in the appropriation bills. There should be permanent authority vested in the Secretary of the Treasury for this recoinage, and such is provided in section 12 of this bill.

The repealing clause of this section is of special importance. On January 1, 1899, there was in circulation and in the Treasury $76,587,161 in subsidiary silver coin. This is $26,587,161 in excess of the limit allowed by law. The act of July 22, 1876, fixed the maximum amount at $50,000,000. This law is still in force, and the Solicitor of the Treasury in a recent opinion says:

> I am of the opinion that the joint resolution is a limitation upon section 28 of the coinage act of 1873, and that all the outstanding subsidiary silver coin in excess of $50,000,000 has been put in circulation without authority of law.

This affords conclusive reason for legislation to accomplish the purpose contemplated in sections 11 and 12.

It is proper to add that the necessity for such legislation was urgently pressed on the attention of your committee by the Secretary of the Treasury in his letter of January 21, 1898, and that your committee several months ago reported a bill meeting the necessities pointed out.

SECTION 13.—RETIREMENT OF GOLD CERTIFICATES AND CURRENCY CERTIFICATES.

The whole system of gold certificates, silver certificates, and currency certificates is an anomaly, an excrescence on our financial system, known and practiced by no other nation. There is no valid reason why the Government should be a warehouseman for the safe-keeping of specific articles deposited, nor a bank for the reception of general money deposits. The man who is fortunate enough to have money, be it gold, silver, or paper, ought to take care of it without asking the Government to do it for him. If not, banks are created for the express purpose of receiving such deposits, issuing certificates therefore if desired, and returning them on demand. It is no part of the proper function of the Government. The unnatural enlargement of our silver coinage under the act of 1878 beyond the uses or demands of the people for silver dollars led to the innovation of their deposit with the Government and the issue of paper certificates therefor. No other nation has them; but they are so firmly engrafted on our system that they can not be withdrawn at present nor in the near future. But if made of the small denominations provided by this bill they are likely to prove no serious

menace or detriment to the Government, but of substantial convenience to the people, of whose daily currency they will form a large part.

Not so with the gold and currency certificates. They are not currency in the hands of the people, and the currency certificates, at least to their extent, are a constant danger and menace to the Government. They are simply a convenience for banks, brokers, and exporters of gold, and facilitate the raiding of the Treasury of its gold. No useful purpose of public convenience or welfare is subserved by their continued use, and the possibility of their being made the instrument of serious inconvenience, embarrassment, and detriment to the Government in times of emergency ought not to exist. They ought to be wiped out of existence, and with them the authority for their issue.

SECTIONS 14 AND 16.—DENOMINATIONS OF UNITED STATES NOTES, TREASURY NOTES AND SILVER CERTIFICATES AND NATIONAL-BANK NOTES.

By the provision of these two sections all silver certificates shall be of the denominations of five dollars and under, and all Government notes and national-bank notes shall be of the denominations of ten dollars and over. This reserves to silver the entire circulating medium of the country in denominations under ten dollars, except the half eagles, the nickels, and pennies. It gives it a definite place, and its proper place, in our currency. It is the medium for the payment of small debts. It can not, from its nature, and the weight and bulk representing any considerable value, be made the instrument for the payment of large debts or the medium of large exchanges. What it can not do itself its paper representative ought not to undertake. This bill gives it its proper place and protects it in the performance of its proper functions. It is not possible to gather together silver dollars in such amounts as to make the large, unforeseen, and continued raids on the Treasury gold reserve that are dangerous. It will be impracticable to withdraw from the hands of the people and the channels of small trade the silver certificates, scattered as they will be over our entire great country, and gather them together in quantities to endanger the gold reserve by any indirect raid on it through intermediate redemption in silver dollars and their exchange for gold.

The supply of paper money of the denominations of ten dollars and over is ultimately left to the banks alone, and they must be responsible for its redemption. For a time, however, this field is partially occupied by the Treasury notes and the greenbacks. The former are being gradually retired under the provisions of the law creating them, and in any event will be out of existence in a few years. The gradual retirement of the greenbacks will thus eventually leave the National Treasury practically safe from raids on its store of gold, except by its ordinary demands and legitimate expenses.

There are now in circulation of denominations less than ten dollars:

	Greenbacks.	Treasury notes.
One-dollar notes	$2,488,435.20	$15,900,848.00
Two-dollar notes	2,124,845.80	10,782,112.00
Five-dollar notes	63,998,692.00	30,876,450.00
	68,611,973.00	57,559,410.00

making a total of $126,171,383.

There are in circulation of national-bank notes of denominations less than ten dollars, viz: fives, $75,017,585, which added to the Government notes makes an aggregate of $201,188,968 of small notes to give place to silver certificates.

There are in circulation of silver certificates of denominations of over five dollars as follows:

Of ten dollars	$125,653,466
Of twenty dollars	81,062,830
Of fifty dollars	22,844,235
Of one hundred dollars	9,495,870
Of five hundred dollars	176,000
Of one thousand dollars	269,000

making a total of $239,501,401 to be converted into small notes. Thus it will be seen that the volume of our small notes will be increased $38,311,433, which increase is needed.

SECTION 15.—NATIONAL-BANK CURRENCY INCREASED TO PAR OF BONDS DEPOSITED.

Under the present law national banks receive and can issue but 90 per cent of the par value of the bonds deposited. All these bonds are at a premium except the 2 per cents, which are practically at par, and even at so large a premium as to offer an inducement to banks to withdraw them and retire their circulation. The Government ought not in advance to discredit its own bonds. They are and are likely to remain abundant security at their face value, and if in the future a different situation arises, the law gives full power to the Comptroller of the Currency to require the deposit of additional security. By this section the available capital of the banks, and hence their ability to accommodate their customers is increased 10 per cent, and more currency of an acceptable character is put in circulation at 3,600 different points all over the country. The increase allowed on bonds on deposit July 1, 1899, would be $25,926,963.

The Comptroller of the Currency in his report for 1897 says:

> Whatever justification there was in the first instance for restricting the issuing of notes against the bonds of the Government deposited with the Treasurer of the United States to 90 per cent of the par value thereof, long since ceased. In the report of every Comptroller of the Currency for the last twenty years the wisdom of changing the existing law, so that the banks, and, through them, the communities in which they are located, might have the additional benefit of an added loanable capital, has been urged.

This increase of circulation to the par value of the bonds deposited has been recommended successively by Secretaries of the Treasury McCulloch, Windom, Foster, Carlisle, and Gage in their annual reports.

Four Presidents, viz, Arthur, Harrison, Cleveland, and McKinley have called the attention of Congress in their annual messages to the justice and wisdom of this increase.

Your committee can not find that any good reason has even been given for disregarding these often-repeated recommendations of Comptrollers, Secretaries, and Presidents, but still the law has remained unchanged.

SECTION 17.—TAX ON CIRCULATION.

The law now requires the payment of an annual tax of 1 per cent on the circulation of national banks. President Arthur as early as 1883 recommended its repeal. President Cleveland repeatedly recommended its reduction to one-fourth of 1 per cent, and President McKinley in

1897 repeated this recommendation. These recommendations involved the substitution of no other tax for that proposed to be remitted.

Secretary Folger recommended a reduction of this tax, Secretary McCulloch its repeal, Secretary Windom its reduction, Secretaries Foster and Carlisle its reduction to one-fourth of 1 per cent, and Secretary Gage to one-half of 1 per cent.

As early as 1865, Comptroller Clarke suggested that the tax on circulation be one-half of 1 per cent, "as an indemnity to the Government for the expense incurred in furnishing the banks with circulatory notes and meeting the expenditures incidental to the administration of the bureau," but he added, "Perhaps a preferable method in relation to the expense thus incurred for circulation and supervision would be found in waiving the tax on circulation and meeting the expenditures required by such direct assessment on the banks as should be equitable."

In 1882 Comptroller Knox suggested the reduction of the tax to one-half of 1 per cent. Comptroller Cannon in 1884 and 1885 recommended the repeal of the tax. Comptrollers Lacey and Eckels recommended the reduction of the tax to one fourth of 1 per cent. Comptroller Hepburn recommended a repeal of the tax and an assessment method to meet expenses incurred.

It will thus be seen that the representatives of the Government have with practical unanimity recognized the injustice and impolicy of this tax, and have recommended its reduction or repeal.

The reason why this tax is unwise is that it tends to discourage the formation of national banks and the taking out of currency by those that are formed, and in the view of Secretary Carlisle, being a tax on the currency going into the hands of the people, ultimately becomes a tax on the people. This would be so, or at least it would be in the power of the national banks to make it so, if they furnished all the money which the people use; but as the currency they issue is only about one-eighth the entire currency of the country, and as there are some 8,700 State and private banks against 3,600 national banks to furnish this currency to the people, it is entirely impracticable for the national banks to shift the burden of this tax onto the people. It rests on the banks, and forms a serious obstacle in the way of the increase of their circulation.

With this tax remaining there is practically no profit to the national banks on the notes they issue. The report of the Comptroller of the Currency shows, by carefully prepared tables, that at the present prices of bonds the profit to the bank on national-bank circulation ranges from .236 of 1 per cent to .859 of 1 per cent per annum. Under this state of facts it is not surprising that national banks are reluctant to take out currency, and some of the strongest and safest take out none.

With the tax off of circulation and the amount allowed increased to par value of bonds deposited, the profit in the issue of circulating notes would be so materially increased as to lead to a very considerable enlargement of our national-bank circulation.

In ordinary times the Government could afford to take off this tax entirely. It was imposed to reimburse the Government for the expense involved in furnishing circulation and supervising the banks. It has yielded to the Government, up to the close of the fiscal year 1898, $83,315,392.25, many times the expense to the Government, which has averaged only $473,848 per year, and aggregates less than $18,000,000.

In these times, however, when much of the expense of the war is still unpaid, and other interests are paying, and cheerfully paying, the "war tax," your committee have not felt justified in recommending the

removal of this tax, but rather its readjustment in a manner not tending to repress the issue of circulatory notes. They therefore recommend that this tax on circulation be repealed, and a tax on the franchises of the banks, measured by their capital, surplus, and undivided profits, be imposed. This tax of one-tenth of 1 per cent each six months will realize to the Government somewhat more than the present tax, and fall heaviest on those institutions best able to pay it. The 1 per cent on circulation amounted during the last fiscal year to $1,901,817.71. The tax imposed by this bill during the same year would have amounted to $1,921,879.75, as computed by the Comptroller of the Currency.

SECTION 18.—REPEAL OF TIME LIMITATION ON INCREASE OF NATIONAL-BANK CIRCULATION.

The national banking law allows any bank, on deposit of lawful money in place of its own notes, to withdraw the bonds by which such notes are secured, but in case of such withdrawal prohibits the further issue of circulatory notes to such withdrawing bank for a period of six months after such withdrawal. It is submitted that such limitation is unnecessary and unwise. Emergencies arise suddenly. A currency famine, perhaps local, may be precipitated without premonition or notice, or some new business development may give use in some locality for increased currency. The banks' interested should be allowed freedom to meet this new demand; and the fact that they could not see ahead for six months and anticipate such demand, and hence within that period had reduced their circulation, should not prejudice them.

The new provision authorizing and requiring the Comptroller of the Currency to keep on hand, ready for immediate issue, blank notes for each bank having circulation, is a prudent preparation to meet any sudden demand for increased bank circulation. The operation of the section will tend to increase the elasticity of national-bank circulation and to materially aid these institutions in meeting unusual calls for currency, whether arising from panic, periodic business demand, or other cause. Bonds can at any time be deposited, the already prepared blank notes be at once received, and when the emergency has passed money to meet the new notes can be deposited and the bonds withdrawn. Thus the volume of bank-note circulation will tend to adjust itself to the demands of the people.

SECTION 19.—SMALL BANKS.

The present law fixes the minimum capital of national banks at $100,000, except in places having a population of 6,000 or less, where the capital may be $50,000. This section changes the law by adding a provision that in places where the population does not exceed 3,000 banks may be organized with a minimum capital of $25,000. It seeks thus to carry banking facilities into the smaller places, where neither the business nor the financial ability of the citizens would justify the establishment of a $50,000-capital bank. State laws authorize the formation of State banks with capital as low as $10,000, and in one or more cases down even to as low as $5,000, thus gravitating to the opposite extreme. The average capital of State banks in many of the Western States is even below the limit proposed in this bill. For instance, the average is:

In California	$20,000
In Idaho	12,000
In North Dakota	14,000

In South Dakota	$13,000
In Wyoming	14,000
In Nebraska	20,000
In Kansas	20,000
And in the rapidly developing Territory of Oklahoma	12,000

Inquiry of the Comptroller of the Currency develops the fact that during the last few years quite a number of national banks with $50,000, capital have advised the Comptroller that the population and business of the towns in which they were located did not warrant that amount of capital, and that, consequently, they were compelled to liquidate and reorganize under State laws. And in this connection it is instructive to note the relative increase in the number of State and national banks in the different States from 1887 to 1897, as follows:

States.	Number of State banks.		Number of national banks.	
	1887.	1897.	1887.	1897.
Maine	0	0	72	82
New Hampshire	1	0	49	50
Vermont	0	0	49	49
Massachusetts	0	0	252	267
Rhode Island	10	6	61	57
Connecticut	8	8	83	81
New York	102	213	322	326
New Jersey	8	21	81	103
Pennsylvania	80	87	303	427
Delaware	2	1	17	18
Maryland	8	12	48	68
Virginia	39	85	25	35
West Virginia	14	66	20	33
North Carolina	11	45	18	27
Georgia	25	41	21	30
South Carolina	10	17	15	16
Florida	6	24	21	30
Alabama	7	11	20	26
Mississippi	9	83	10	12
Louisiana	6	20	13	19
Texas	9	4	91	202
Arkansas	6	32	7	9
Kentucky	71	100	68	75
Tennessee	27	51	40	49
Missouri	212	500	50	63
Ohio	46	131	216	249
Indiana	32	96	93	115
Illinois	48	104	178	220
Michigan	62	79	108	84
Wisconsin	56	130	56	79
Iowa	65	206	58	71
Minnesota	54	145	129	165
North Dakota	0	73	62	27
South Dakota		157		27
Nebraska	140	414	103	104
Kansas	149	377	139	108
Montana	0	7	17	21
Wyoming	0	5	8	11
Colorado	8	31	34	41
Washington	0	32	18	35
Oregon	4	17	23	30
California	88	173	38	32
Idaho	0	5	6	10
Utah	0	8	7	11
Nevada	0	3	2	1
Total States	1,338	3,711	3,046	3,571
Territories:				
New Mexico	0	6	9	6
Oklahoma	.....	49	.....	5
Indian Territory	.....	.....	.....	10
Arizona	.....	7	1	5
Total Territories	0	62	10	26
District of Columbia	.....	.....	8	13

These figures tell their own story, and it is not a reassuring one to the friends of the national-bank system. For instance, New York gains 111 State banks and only 4 national banks; Nebraska gains 270 State

banks and but 1 national bank; Kansas gains 228 State banks and loses 36 national banks. The total gain of national banks is only 546, while that of the State banks is 2,435. It further appears from the last statement of the Comptroller of the Currency that on December 1, 1898, there were 3,590 national banks in operation, 20 less than at the close of the fiscal year 1897. In 28 States the number has diminished during the year 1898 and in only 6 has it increased.

A system in which the people have implicit confidence and which has never cost a dollar of loss to the holder of one of its notes is languishing and far from keeping pace in its growth with the growth of the nation in population or business. The prestige of the national name and supervision, the absolute confidence of the people in every dollar of its money, and the right to issue circulatory notes have not enabled it to keep pace with State systems possessing none of these advantages. The conclusion is irresistible that there is some burden upon or defect in the national-bank system that ought to be removed. This bill proposes to correct some of the most patent of these defects; others must be left to the wisdom of a future Congress.

Inquiries have also from time to time come to the Comptroller as to the formation of banks with less capital than now allowed, and we may easily come to the conclusion that the reduction proposed in the minimum capital of national banks, coupled with the other changes affecting them provided in this bill, will lead to a very considerable increase in their number, thus increasing the aggregate bank currency of the country and carrying the advantages and accommodations of loanable capital and its consequent business stimulus into communities not now enjoying it.

Such provision for the organization of small banks has been recommended in recent years by the Comptroller of the Currency and the Secretary of the Treasury, by President Cleveland, and by President McKinley, from whose annual message of December, 1897, we quote as follows:

> I also join with him (the Secretary of the Treasury) in recommending that authority be given for the establishment of national banks with a minimum capital of $25,000. This will enable the smaller villages and agricultural regions of the country to be supplied with currency to meet their needs.

SECTION 20.—BRANCH BANKS.

The last section of the bill authorizes the establishment of branch banks, subject to such rules and regulations as the Comptroller of the Currency, with the approval of the Secretary of the Treasury, may prescribe, thus leaving to the Treasury Department to define the conditions under which branch banks may be established and the powers, not exceeding those of the parent bank, which they may exercise.

In its failure to authorize branch banks the United States stands, thus far, practically alone among commercial nations. Branch banks, or branch offices of established banks, are authorized by law in Argentina, Austria-Hungary, Belgium, Bolivia, Brazil, Canada, Chile, China, Colombia, Costa Rica, Denmark, Ecuador, Egypt, France, Germany, Great Britain, Greece, Guatemala, Haiti, India, Japan, Mexico, Netherlands, Newfoundland, Nicaragua, Paraguay, Persia, Peru, Portugal, Roumania, Russia, Salvador, Sweden, Switzerland, Turkey, Uruguay, and Venezuela. It may be interesting to note the extent to which this privilege of branch banking is carried on in other countries. For instance:

In England and Wales 90 banks have 3,446 branches and agencies.
In Scotland 11 banks have 1,154 branches and agencies.
In Ireland 9 banks have 580 branches and agencies.
In Isle of Man 3 banks have 17 branches and agencies.
Canada, with 38 banks, has some 500 branch banks.
The Reichs bank of Germany has 240 branches. The Bank of France had, in 1896, 94 branches and 34 agencies.

The right to establish branches is generally exercised throughout Europe, not only by the Government banks, but by those owned and controlled by private individuals.

In this country State banks are allowed to establish branches under the laws of many of the States, of which Arkansas, California, Delaware, Kentucky, Michigan, North Carolina, Nevada, South Carolina, and Wisconsin may be mentioned; and the national bank law accords to State banks, having branches and reorganizing under the national law, the right to retain their branches. (Rev. Stat., sec. 5155.)

One of the great benefits arising from the authorization of branch banks would be the transfer in an effective manner of loanable capital from points where it is abundant to points where it is scarce. It has been said of this system: "It counteracts the local dearth and relieves the local glut, facilitating and guiding the flow of circulating capital to those parts of the country in which it is most needed and can be best employed. By mingling many markets into what is practically a single one, it puts all borrowers on the same footing, enabling them, on the sole condition of being worthy of credit, to obtain credit on equal terms."

In short, it is an efficient agent in the important work of the distribution of the capital and currency of the nation, and that is the great problem for the thoughtful statesman and student of finance. We suffer not from the lack of an adequate aggregate supply of our circulating medium as much as we do from a tendency to an accumulation and congestion thereof in money centers. Several hundred years ago Bacon in terse and forcible language alluded to the same centripetal tendency of money and capital when he said, "Money is like muck; not good *except it be spread.*"

Whatever will legitimately tend to the wider and more even distribution of what is above termed "circulating capital" will promote the prosperity and best interests of the country. It is believed that a system of branch banks will materially aid in reaching remote points and small communities, where independent banks could not be sustained, and thus carry to them the life-blood of business activity. Money, however, will not go where there is nothing to attract it. To obtain it the individual or the community must have either capital or credit. Capital generally gives credit, but credit may exist without capital. Both are available for the conduct of business, and banks are useful for their practical utilization for business purposes. They are the conservators of capital, but its distributers also. They give to credit efficient productive power, and so far as these advantages can be carried to the people of any community, they promote the commerce and prosperity of that community.

Without going into a discussion of the other specific advantages of a branch system of banks, growing out of their more economical administration, their utilization of local capital, and their effect in equalizing the rates of discount in different parts of the country, which has been so noticeable in the practical operation of the Canadian system with its numerous and widely scattered branch banks, we can not leave

this matter better than to quote from the report of the Comptroller of the Currency for 1896, as follows:

The very smallest of agricultural communities, even though deprived of transportation facilities, under a branch-bank system could still be given the advantages of available capital, lower interest, and lessened cost of exchange, privileges they can not enjoy when dependent upon the banking methods employed by the village or entirely isolated storekeeper. The branches grafted upon a parent institution of strength would introduce a capital into places unable to support independent banks, which could successfully compete with that of the local loaner of money at exorbitant rates of interest, and make it possible to obtain credit without endangering all property interests in so doing. They would as well afford a place of local deposit, and within a very brief period the local capital, therefore idle and useless, would become available loanable capital. The use of a bank as a place of deposit of funds means the use of the check, the draft, the bill of exchange, and other credit devices which reduce to a minimum the passing from hand to hand of actual money or the currency representatives of money in the payment of obligations. Under such an order of things every dollar would become an efficient dollar, and instead of supporting a single transaction it would support many.

SUMMARY.

It will be seen from this review of the provisions of the bill that, while not entirely complete, it is still comprehensive; it is progressive in detail, while conservative in principle. It travels along the beaten path of successful experience. It advances no new theory; introduces no new principle. It amplifies and to a considerable extent completes a system which has stood the test of practical and successful trial for years. It adheres to a system with which the people are familiar, and leaves to the future the consideration of what may possibly be some better one with which they are not familiar.

A summary of its provisions will vindicate the assertion that it keeps close to the shore of familiar methods and well-established principles:

It seeks to clearly recognize and firmly establish the gold standard. This has existed by legal recognition since 1873 and, in fact, long before.

It makes Government obligations payable in gold coin. This has long been the understood fact and is the logical result of existing law requiring the parity to be preserved.

It requires the keeping of a gold reserve. This the Secretary of the Treasury has held for years without law.

It provides for the retirement of the Government notes. This was contemplated when they were first issued, and has been twice hitherto commenced by legal provision.

It authorizes the increase of our subsidiary coin—this is but an extension of coinage carried on from the foundation of the Government, and is necessary to give legality to issues already made.

It provides for the retirement of the gold and currency certificates and the repeal of the law authorizing them. These are an excrescence on our financial system, known in no other nation, and which the Government has ceased to issue, or issued reluctantly for some time.

It readjusts the denominations of paper money between the Government notes, bank currency, and silver certificates. This is no change of principle, but merely of detail.

It enlarges the amount of currency that may be issued by national banks and removes obstacles to its prompt issuance and withdrawal. This changes in no way the character of the security for said notes or the general plan of their issue and redemption.

It readjusts the tax paid by national banks, but without material change of the aggregate amount collected.

It reduces the minimum capital required for the incorporation of

national banks and gives authority for the establishment of branches, but leaves them under the general banking plan and system that has existed for upwards of thirty years.

It will thus be seen that the bill adheres closely in principle to existing law and custom, simply making clear and positive what may have been doubtful or inferential, and amplifying, rounding out, and completing, rather than revolutionizing and replacing existing systems and methods.

While entirely satisfied that the bill reported is wise and judicious, it is but fair to the committee to say that they are by no means satisfied that it is complete in its banking features. Some additions to it could doubtless be wisely made, notably some provision for an emergency circulation, increasing the elasticity of our currency, whereby it could be quickly expanded in any temporary exigency, and would automatically contract when the emergency was past. It is probable that some provision on this subject, along the general line of the recommendation of the Comptroller of the Currency in his last report, might be a valuable addition to the bill. Your committee are not unaware of other changes and additions to our banking laws that are urged with earnestness and force, and they pass no judgment on any of these propositions, as they were not committed to them by the House, and hence they have not felt justified in entering on the consideration of any new propositions relating exclusively to the national-bank system.

This bill is, however, reported by your committee in the full faith that its passage will do very much to quiet doubt, dispute, and apprehension; will strengthen the national credit at home and abroad; will give solidity and stability to the basis on which business enterprise and progress rest; and will in a general way promote the convenience and welfare of our citizens and the prosperity of the nation. The test of practical experience may develop changes that should be made in it, additions that should be made to it, and, if so, the wisdom of Congress may be relied upon to make them in due time.

For convenient reference, a copy of the substitute bill reported is hereto attached.

A BILL to define and fix the standard of value and to regulate coinage, and provide for redemption thereunder, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the standard unit of value shall as now be the dollar, and shall consist of twenty-five and eight-tenths grains of gold, nine-tenths fine, or twenty-three and twenty-two one-hundredths grains of pure gold, being the one-tenth part of the eagle.

SEC. 2. That all obligations for the payment of money shall be performed in conformity with the standard provided for in section one: *Provided*, That nothing herein contained shall be construed or held to affect the present legal-tender quality of the silver dollar or the subsidiary or minor coins, or the paper currency of the United States.

That all obligations of the United States for the payment of money now existing or hereafter to be entered into shall, unless hereafter otherwise expressly stipulated, be deemed and held to be payable in gold coin of the United States, as defined in the standard aforesaid.

SEC. 3. That there shall continue to be free coinage of gold into coins of the denominations, weight, fineness, and legal-tender quality prescribed by existing laws.

No silver dollars shall be hereafter coined, except from the silver bullion held against outstanding Treasury notes issued under the act of July fourteenth, eighteen hundred and ninety.

Silver coins of denominations less than one dollar shall be coined upon Government account, of the denominations, weight, fineness, and legal-tender quality prescribed by existing laws.

Minor coins shall continue to be coined upon Government account, of the denominations, weight, fineness, and legal-tender quality prescribed by existing laws.

Subsidiary and minor coins shall be issued and exchanged, as prescribed by existing laws, except as hereinafter otherwise provided.

SEC. 4. That there is hereby created a division in the Treasury Department to be known as the division of issue and redemption, to which shall be assigned, under such regulations as the Secretary of the Treasury may approve, all records and accounts relating to the issue, redemption, and exchange, as hereinafter provided, of the several kinds of United States money.

There shall be transferred from the general fund in the Treasury of the United States and taken up on the books of said division as a redemption fund the amount in gold coin and bullion held against outstanding gold certificates, the amount in United States notes held against outstanding currency certificates, the amount in silver dollars held against outstanding silver certificates, the amount in silver dollars and silver bullion held against outstanding Treasury notes issued under the act of July fourteenth, eighteen hundred and ninety.

SEC. 5. That there shall be transferred from the general fund in the Treasury of the United States and taken up on the books of said division as a reserve fund an amount of gold, in coin and bullion, equal to twenty-five per centum of the amount, both of United States notes and Treasury notes issued under the act of July fourteenth, eighteen hundred and ninety, outstanding, and a further sum in gold equal to five per centum of the aggregate amount of the coinage of silver dollars. This reserve shall be held as a common fund, and used solely for the redemption of said notes and in exchange for said notes and for silver dollars, as hereinafter provided.

SEC. 6. That it shall be the duty of the Secretary of the Treasury to maintain the gold reserve fund taken up on the books of the division of issue and redemption, and for this purpose he may from time to time transfer to such fund any moneys in the Treasury not otherwise appropriated; and in addition thereto he is hereby authorized to issue and sell, whenever it is, in his judgment, necessary to the ends aforesaid, bonds of the United States, bearing interest at a rate not exceeding three per centum per annum, payable in gold coin at the end of twenty years, but redeemable in gold coin at the option of the United States after one year.

SEC. 7. That the Treasurer of the United States shall, at Washington, and at such subtreasuries of the United States as the Secretary of the Treasury may from time to time designate, on demand, for and on account of the redemption and reserve funds herein created—

First. Pay out gold coin for gold certificates;

Second. Pay out United States notes for currency certificates;

Third. Pay out gold coin in redemption of United States notes and Treasury notes of eighteen hundred and ninety;

Fourth. Pay out silver dollars for silver certificates of any denomination;

Fifth. Issue silver certificates of denominations of one dollar, two dollars, and five dollars in exchange for silver dollars and for silver certificates of denominations above five dollars;

Sixth. Pay out gold coin in exchange for silver dollars;

Seventh. Pay out silver dollars not covered by outstanding silver certificates, in exchange for gold coin, United States notes, or Treasury notes;

Eighth. Pay out United States notes or Treasury notes in exchange for gold coin.

SEC. 8. That the Treasurer of the United States shall, on demand, pay in gold coin all United States notes and Treasury notes presented for payment, and as paid cancel the same up to such an amount as shall equal, but not exceed, the increase of national-bank notes issued subsequent to the taking effect of this act.

SEC. 9. That if at the end of five years next after the taking effect of this act any United States notes or Treasury notes shall be outstanding, a sum not exceeding one-fifth of such outstanding amount shall, as received, be retired and canceled each year thereafter; and at the end of ten years after the passage of this act United States notes and Treasury notes then outstanding shall cease to be a legal tender for all debts, public and private, except for dues to the United States.

SEC. 10. That United States notes or Treasury notes once redeemed in gold shall not be paid out again except for gold coin.

SEC. 11. That the Secretary of the Treasury is hereby authorized to use, at his discretion, any silver bullion in the Treasury of the United States purchased under the act of July fourteenth, eighteen hundred and ninety, for coinage into such denominations of subsidiary silver coin as may be necessary to meet the public requirements for such coin; and any gain or seigniorage arising from this coinage shall be accounted for and paid into the Treasury. And whenever any silver bullion purchased under the act of July fourteenth, eighteen hundred and ninety, shall be used in the coinage of subsidiary silver coin, an amount of Treasury notes issued under said act equal to the cost of the bullion contained in such coin shall be canceled and not reissued.

SEC. 12. That the Secretary of the Treasury is hereby authorized and directed to cause all worn and uncurrent subsidiary silver coin of the United States now in the Treasury, and hereafter received, to be recoined, and to reimburse the Treasurer of the United States for the difference between the nominal, or face, value of such coin and the amount the same will produce in new coin, from any moneys in the Treasury not otherwise appropriated, and so much of the joint resolution approved July twenty-second, eighteen hundred and seventy-six, relating to the issue of silver coin, as limits the aggregate amount of subsidiary silver coin and of fractional currency outstanding at any time to fifty millions of dollars be, and the same is hereby, repealed.

SEC. 13. That gold certificates and currency certificates shall, whenever presented and paid or received in the Treasury, be retired and canceled. All provisions of law authorizing the issue or reissue of gold certificates or currency certificates are hereby repealed.

SEC. 14. That no United States note or Treasury note issued under the act of July fourteenth, eighteen hundred and ninety, of a denomination less than ten dollars shall hereafter be issued, and silver certificates shall hereafter be issued or paid out only in denominations of one dollar, two dollars, and five dollars against silver dollars deposited in the division of issue and redemption, or in exchange for silver certificates of denominations exceeding five dollars.

SEC. 15. That upon deposit by national banking associations of United States bonds, bearing interest as provided by law under the provisions of sections fifty-one hundred and fifty-nine and fifty-one hundred and sixty of the Revised Statutes, such association shall be entitled to receive from the Comptroller of the Currency circulating notes of different denominations in blank, registered and countersigned as provided by existing law, equal in face value to the full par value of the bonds so deposited; and national banking associations now having bonds on deposit for the security of circulating notes less in face value than the par value of the bonds, or which may hereafter have such bonds on deposit, shall be entitled, upon due application to the Comptroller of the Currency, to receive additional circulating notes in blank to an amount which will increase the aggregate value of the circulating notes held by such associations to the par value of the bonds deposited, such additional notes to be held and treated in the same way as circulating notes of national banking associations heretofore issued, and subject to all the provisions of existing law affecting such notes: *Provided*, That nothing herein contained shall be construed to modify or repeal the provisions of sections fifty-one hundred and sixty-seven and fifty-one hundred and seventy-one of the Revised Statutes, authorizing the Comptroller of the Currency to require additional deposits of bonds or of lawful money in case the market value of the bonds held to secure the circulating notes shall fall below the par value of the circulating notes outstanding for which such bonds may be deposited as security.

SEC. 16. That the circulating notes furnished to national banking associations under the provisions of this act shall be of the denominations prescribed by existing law, except that no national banking association shall, after the passage of this act, be entitled to receive or to issue or reissue or place in circulation any circulating notes of a less denomination than ten dollars.

SEC. 17. That every national banking association shall pay into the division of issue and redemption each half year, in the months of January and July, on or before the thirtieth day thereof, a duty of one-tenth of one per centum upon the value of its franchise as measured by the aggregate amount of its capital, surplus, and undivided profits upon the last day of the calendar month next preceding. Sections fifty-two hundred and fourteen, fifty-two hundred and fifteen, fifty-two hundred and sixteen, and fifty-two hundred and seventeen of the Revised Statutes of the United States are hereby repealed. But nothing in this section contained shall be so construed as in any manner to release any national banking association from any liability for taxes or penalties incurred prior to the passage of this act.

SEC. 18. That so much of section nine of an act entitled "An act to enable national banking associations to extend their corporate existence, and for other purposes," approved July twelfth, eighteen hundred and eighty-two, as reads as follows, "And no national bank which makes any deposit of lawful money in order to withdraw its circulating notes shall be entitled to receive any increase of its circulation for the period of six months from the time it made such deposit of lawful money for the purpose aforesaid: *Provided*, That not more than three millions of dollars of lawful money shall be deposited during any calendar month for this purpose: *And provided*, That the provisions of this section shall not apply to bonds called for redemption by the Secretary of the Treasury, nor to the withdrawal of circulating notes in consequence thereof," be, and the same is hereby, repealed; and the Comptroller of the Currency is hereby authorized and directed to have prepared and keep on hand, ready for delivery on application, blank notes to such an amount as he may deem advisable for each national banking association having circulation.

SEC. 19. That section fifty-one hundred and thirty-eight of the Revised Statutes is hereby so amended as to read as follows:

"SEC. 5138. No association shall be organized with a less capital than one hundred thousand dollars, except that banks with a capital of not less than fifty thousand dollars may, with the approval of the Secretary of the Treasury, be organized in any place the population of which does not exceed six thousand inhabitants, and except that banks with a capital of not less than twenty-five thousand dollars may, with the sanction of the Secretary of the Treasury, be organized in any place the population of which does not exceed three thousand inhabitants. No association shall be organized in a city the population of which exceeds fifty thousand persons with a capital of less than two hundred thousand dollars."

SEC. 20. That it shall be lawful for any national banking association to establish branches under such rules and regulations as may be prescribed by the Comptroller of the Currency, with the approval of the Secretary of the Treasury.

55TH CONGRESS, 3d Session. } HOUSE OF REPRESENTATIVES. { REP'T 1876, Part 2.

STANDARD OF VALUE, ETC.

VIEWS OF THE MINORITY.

[To accompany H. R. 11917.]

We, the minority of the Committee on Coinage, Weights, and Measures, dissent from the majority on House bill No. 11411, "to define and fix the standard of value and to regulate coinage, and provide for redemption thereunder, and for other purposes."

The bill, if permitted to pass and become a law, will make many radical changes in our whole currency system. It will work a serious and, we believe, disastrous contraction of our money volume, and especially of that part of our money that is legal tender and serves to pay debts and discharge obligations. It will destroy as money of redemption the whole of our silver coinage, amounting to $464,834,597, estimated to be on hand on the 1st day of September, 1898, on page 119 of the report of the Comptroller of the Currency for that year.

According to the report referred to of the Comptroller of the Currency the amount of standard silver dollars, bullion to be coined, together with fractional coin, there was a total of $636,685,342 of silver that would ultimately call for redemption in gold. This same report, on page 122, states the amount of greenbacks to be $346,681,016; Treasury notes issued under the act of July 14, 1890, $98,549,280, and national bank notes, $235,439,985, a total of $680,670,281. The bill under consideration virtually proposes to make all these forms of money, amounting to $1,317,355,623, redeemable in gold, and authorizes bonds to be issued and sold for gold for this purpose whenever necessary.

The first section of the bill reenacts the law of 1873 making the gold dollar the sole standard of value. A superficial view of this matter would indicate that there were no changes intended in the law of 1873 as regards the standard of value, and that the section is wholly unnecessary, but such is not the case. It is true that the act of 1873 fixed the standard of value on the gold dollar of 25.8 grains of standard gold, or 23.22 grains of pure gold, but subsequent legislation upon the subject of money, if it has not repealed, has greatly modified the legal effect of the law of 1873 declaring gold to be the sole standard of value. The first mint act, that of 1792, authorized the coinage of the standard silver dollar and made it consist of the same amount of pure silver as

our present dollar contains, and made it the unit of account, and in that sense, at least, the standard of value.

We had no law declaring in terms that either silver or gold should be the standard of value in this country until the act of 1873, before referred to. Our system was the coinage of both gold and silver into full legal tender money, and thus, practically, put the measure of value upon both metals. Our financial system was regulated upon the bimetallic basis. The act of 1873, however, for the first time in our history, fixed the standard of value upon gold alone and suspended the coinage of standard silver dollars, but the Congress of 1878 restored to the coinage of our country the old standard silver dollar and made it full legal tender for all public and private debts, except under conditions of specific contracts. The title of this act is, "An act to authorize the coinage of the standard silver dollar and to restore it to its legal-tender character." The act provides that there shall be coined at the mints of the United States silver dollars of the weight of 412½ grains, troy, of standard silver, as provided for in the act of January 18, 1837, etc.

The title of the act is to restore the legal-tender quality of the standard silver dollar and to authorize its coinage; the context of the act provides also for the coinage of a dollar of 412½ grains, troy, standard silver, as provided for in the act of 1837. The act of 1837 continued the coinage of the old standard unit dollar of 1792, so that the act of 1878 restored to the coinage this old standard unit dollar of 1792 and 1837, thus supplementing the gold standard with the silver standard.

This act contemplated placing the silver dollar on an equality with the gold dollar as standard money. While it did not directly repeal the act of 1873 declaring gold to be the sole standard of value, yet it did supplement gold with silver as money of final redemption. All of our public debts are unquestionably solvable in the silver dollar as well as the gold dollar, yet the second section of this bill eliminates silver from the payment of our public debts and requires that all existing and outstanding obligations of the Government, as well as obligations hereafter to be made, shall be payable in gold coin to the exclusion of silver.

Section 2 also practically fixes all private obligations to be payable in gold or its equivalent. Gold will enhance in value by the greater demand made for it by this bill. It will be observed that sections 1 and 2 fix absolutely and unqualifiedly the single gold standard upon the people of this country, and prepare the way for the subsequent portions of the bill that absolutely destroy silver as redemption money and provide for the impounding and final destruction of the greenbacks and Treasury notes.

All of the standard silver dollars we now have, amounting to nearly $500,000,000, are, by this act, swept from their present position as standard money and into the category of credit money and made a charge upon the Government for their redemption in gold; in other words, it fixes at once a debt upon the Government to the extent of the silver dollars now coined or that may hereafter be coined under the provisions of the act of July 14, 1890. It makes the greenbacks, the silver dollars, and the Treasury notes issued under the Sherman Act all directly and immediately redeemable in gold on presentation at the Treasury Department, and, as before stated, authorizes the Secretary of the Treasury to issue bonds payable in gold for the purpose of, procuring gold with which to redeem all our silver money, greenbacks and Treasury notes, and fixes ultimately upon the Government the responsibility for the redemption of notes issued by national banks in gold.

The power of the endless chain of which we have heard so much has been, temporarily at least, increased and lengthened to the amount of our silver coinage, which, under this bill, becomes a demand for gold upon the Treasury. At any time in the future that our exports of farm products should be greatly lessened on account of failure of crops or for other cause, and our imports continue so as to make the balance of trade against us, gold will at once be drawn from the Treasury to settle this balance abroad.

It is true that the bill contemplates the retirement of the greenbacks and the Treasury notes, but there will still remain under this bill an amount of demand notes in the shape of silver money that will nearly equal the amount of Treasury notes and greenbacks withdrawn from circulation, so that after the full operation of the bill has been put in force, the gold-demand obligations upon the Government will remain practically the same as now.

Section 18 of the bill provides for repealing the provision of the act of 1882 which prohibits national banking associations from withdrawing from circulation more than $3,000,000 in any one month. If this law is repealed it gives power to the national banks to surrender at their will and discretion an amount of circulating notes that will inevitably lead to a sudden contraction of the currency and business prostration. During the Administration of President Hayes Congress passed a law to refund bonds at that time bearing 5 and 6 per cent interest into bonds bearing 3 per cent interest, and compelling banks to use these bonds as a basis of circulation.

The banking institutions of New York and Philadelphia, in fact, throughout the whole country, fought this bill upon the alleged ground that they could not bank on 3 per cent bonds and that it would be injurious to their business. Congress, however, insisted upon the passage of the bill, and sent the bill to the President for his signature. In the meantime, the banks, in order to bring a pressure to bear for the defeat of the law, and in defiance of Congress, surrendered their circulating notes to an amount of about $20,000,000 in a very brief time. This caused a stringency in the money market and a panic was threatened, which caused the President to veto the bill. In a short time after that Congress passed the law that this bill proposes to repeal. This law prohibits the banks throughout the country from taking from circulation and depositing in the Treasury for redemption of their notes more than $3,000,000 in any one month.

It is now proposed to repeal this salutary provision and to permit the banks to surrender their circulation and to deposit without limit lawful money for the redemption of their notes, thus leaving the banks the power to contract the currency at their will, to coerce legislation under the threat of panics and business depressions to be brought about by great and sudden contraction of the currency. Indeed, the whole bill is based upon the idea that all power over the control of the volume of paper money should be surrendered to the banks. These banks will form a money trust or monopoly having a power over the welfare of the people as despotic as the master has over his slaves. The whole scheme of the bill contemplates the destruction of silver as money; the destruction of greenbacks and Treasury notes as money, and denies to Congress the right to issue paper money, except by farming out to corporations this great sovereign power.

We invite attention to the fact that the advocates of this bill are urging the adoption of a policy which has been expressly denounced by the platforms of all political parties as wrong in principle and preg-

nant with injury to the material interests of the country. No great political party has ever declared in favor of fastening the gold standard upon the country. On the contrary, all party platforms have declared that the welfare of the people would be conserved by the restoration of bimetallism, and each has given assurances that, if trusted with control of the Government, its financial policy would have constantly in view the restoration of bimetallic coinage and legal-tender laws.

This bill has for its object the perpetual establishment of the gold standard. Its authors boldly declare that this is its object. It discards not only the proposal to restore the coinage and legal-tender laws in force prior to 1873 by the independent action of this country, but also the proposal to reach the same result by international agreement. The passage of this bill would destroy absolutely the utility of silver as money of ultimate redemption, and attempts to bar the door against returning to its use as money of ultimate redemption.

We protest against the passage of this bill, and will offer the following as a substitute:

Strike out all after the enacting clause of the bill and insert:

The unit of account or value in the United States shall be a dollar of 412½ grains standard silver or 25.8 grains standard gold; that the holders of silver bullion not too base for the operations of the mint shall have the right to deposit the same at any mint of the United States for coinage into standard silver dollars on the same terms and conditions as gold bullion is now coined for private holders; and silver dollars heretofore coined and hereafter to be coined under the provisions hereof shall be legal tender for all debts and dues, public and private.

R. P. BLAND.
S. B. COOPER.
RICE A. PIERCE.
SAMUEL MAXWELL.
E. R. RIDGELY.
CHAS. S. HARTMAN.
CHARLES F. COCHRAN.
HARVEY B. FERGUSSON.

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U. S. H. R. 23 2

UNLIMITED COINAGE OF SILVER AND THE TRADE-DOLLAR.

23

MINUTES

OF A

CONFERENCE

BETWEEN THE

COMMITTEE ON COINAGE, WEIGHTS, AND MEASURES

OF THE

HOUSE OF REPRESENTATIVES,

AND

THE SECRETARY OF THE TREASURY AND THE DIRECTOR OF THE MINT.

WASHINGTON:
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1879.

46TH CONGRESS, 1st Session. } HOUSE OF REPRESENTATIVES. { MIS. DOC. No. 11.

UNLIMITED COINAGE OF SILVER AND THE TRADE-DOLLAR.

MINUTES

OF A

CONFERENCE BETWEEN THE COMMITTEE ON COINAGE, WEIGHTS AND MEASURES OF THE HOUSE OF REPRESENTATIVES, AND THE SECRETARY OF THE TREASURY AND THE DIRECTOR OF THE MINT.

MAY 1, 1879.—Recommitted to the Committee on Coinage, Weights, and Measures and ordered to be printed.

NOTES OF A CONFERENCE BETWEEN THE COMMITTEE ON COINAGE, WEIGHTS, AND MEASURES AND SECRETARY SHERMAN AND DIRECTOR OF THE MINT BURCHARD.

WASHINGTON, *April* 26, 1879.

The CHAIRMAN. Before proceeding to the main subject of this conference, I wish to ask some questions in relation to the trade-dollar. Can you give us, Mr. Secretary, a correct statement or estimate of the number of trade-dollars now in the United States?

Secretary SHERMAN. I can state that the amount of trade-dollars that have been coined is $35,959,300. The amount of them exported, as shown by the statistics we have, partly estimated but nearly accurate, may be said to be about twenty-nine million dollars. These are about the figures that were given in my annual report in December last, and I believe they are as nearly accurate as possible. This would leave in the country between six and seven millions of trade-dollars.

Mr. CLAFLIN. Is there any evidence that any of those have been taken up, used as bullion, or in any other way?

Secretary SHERMAN. We have no evidence on that point. It is hardly probable, however, that they would be, because bullion has been cheaper all the time than trade-dollars.

The CHAIRMAN. Is there any serious objection to taking up those trade-dollars and giving standard silver dollars for them and then recoining them—never issuing them again?

Secretary SHERMAN. I think the objections are very serious. There are three radical objections, any one of which, I think, ought to prevent the government from taking that course. First, it would be a discrimination against our own miners in the price of silver bullion and in favor of the holders of these dollars in China. At least from twenty-six to twenty-eight millions of these trade-dollars are held in China as bullion. The trade-dollars were coined as bullion and sold as bullion, for private parties, for private profit, and the government had no con-

nection with them except to charge the actual cost to the owners of the bullion. They had a limited legal-tender quality until July 22, 1876, but they did not get into circulation in this country until October, 1876; so that every trade-dollar that is now in circulation in this country was put in circulation at a time when it was not a legal tender, but simply represented 420 grains of standard silver. If we should now make it exchangeable for the standard silver dollar, and equal to the gold dollar, it would be worth for that purpose 14 or 15 cents more than it is worth as bullion, and the owners of this bullion in China, or the purchasers of those coins for the purpose of bringing them here, would get the benefit of that difference. We can buy the same amount of silver bullion from our own miners to-day for four or five millions of dollars less than we can get this bullion in China, if the proposed measure should become a law. That is the first objection.

Mr. WARNER. Would that objection, however, lie if silver was admitted to free or unlimited coinage in the United States?

Secretary SHERMAN. No; if silver coinage is made free at the rate of 16 of silver to 1 of gold we shall have a mono-metallic system of silver coinage excluding gold from circulation. Then, as a matter of course, the objection would cease; then the trade-dollar would be worth more than the standard dollar. That is, if you adopt the bullion value of silver as the sole standard in this country, then it makes no difference what is done with the trade-dollar; but as long as you maintain the gold standard or the present standard based upon the gold coin of $25\frac{8}{10}$ grains, the introduction of the trade-dollar, either as a coin or as the equal of the standard dollar, will be a discrimination in favor of the owners of this silver bullion in China and against our own miners to the extent that I have stated.

Mr. WARNER. That is, while silver is coined under existing law and regulations?

Secretary SHERMAN. Certainly. The chairman did not ask me about my view in regard to the question of bi-metallic or mono-metallic money.

The CHAIRMAN. Suppose we change our system in relation to the coinage of silver and make it unrestricted, so that the government will not purchase bullion at all; suppose that the system of purchasing bullion for coin is abrogated and the unlimited coinage of silver is introduced, then ought not the trade-dollar and the legal-tender standard dollar to be interchangeable?

Secretary SHERMAN. If Congress should finally determine to adopt the silver standard——

The CHAIRMAN. The double standard?

Secretary SHERMAN. Yes; the free coinage of both gold and silver upon the present ratios. If that is to be adopted, then the proposition is not objectionable; but that brings up at once the great question whether that ought to be done.

The CHAIRMAN. That is the point we have before us, and I understand that in case we do that, your opinion is that then the trade-dollar and the standard silver dollar ought to be interchangeable.

Secretary SHERMAN. Yes; but in case you should do that, no man of ordinary sagacity would surrender a trade-dollar for the standard dollar; he would want to receive the difference between them. You would not be able to get the trade-dollar exchanged for the standard dollar, because the trade-dollar contains 420 grains of silver, while the standard dollar contains only $412\frac{1}{2}$.

The CHAIRMAN. Then you would not be bothered with the recoining?

Secretary SHERMAN. No. The trade-dollar would be, as the old Mexican dollar was formerly, a little more valuable than our standard dollar.

Mr. WARNER. It would simply go to the mint as bullion?

Secretary SHERMAN. Hardly; it would not be exchanged on an equality with the standard dollar.

The CHAIRMAN. What amount of standard silver dollars coined since the act of last year are now in circulation?

Secretary SHERMAN. According to latest returns received at the department there have been coined of these dollars $30,542,950. We have now on hand $22,887,695; leaving $7,655,255 of those dollars in circulation.

The CHAIRMAN. How many coin certificates have been issued under the act of 1878?

Secretary SHERMAN. An amount of $10,437,000. Nearly all our silver bullion is purchased by silver certificates, but then they are at once returned to the Treasury.

The CHAIRMAN. I understand you to say that there are very few of them out now?

Secretary SHERMAN. Very few. They are at once converted. They come right back.

Mr. WARNER. They come back in payment of duties.

Secretary SHERMAN. Largely in payment of bonds, and also for the payment of duties. The whole amount outstanding now is only $176,330.

The CHAIRMAN. In connection with the sales of bonds that have been made lately?

Secretary SHERMAN. Yes; lately and all along.

The CHAIRMAN. What would be the objection to issuing coin certificates down to denominations of fives, and threes, and twos, and ones, and halves and quarters for change?

Secretary SHERMAN. The objection to issuing coin certificates while you have legal-tender notes outstanding is that the coin certificates, of whatever denomination they may be, will not circulate while the legal-tender notes are outstanding. Until the 1st of January the coin certificates had the advantage over the legal-tender notes, because they were receivable for bonds, for customs duties, and for all purposes, and therefore they had a special value or use which the legal-tender notes had not; but now the legal-tender notes are, in effect, a coin certificate, and may be used for all purposes. There is now no occasion for coin certificates, which come back into the Treasury.

Mr. VANCE. Then can they not be put out again?

Secretary SHERMAN. They can, but we have "greenbacks," which we are bound to keep in circulation, and which fill all the channels of circulation, under existing law. It would be difficult to keep the two forms of currency afloat at the same time. If either were taken away, then the other would fill the channels of circulation.

Mr. WARNER. Is there any objection to those certificates if persons holding bullion or coin prefer the certificates to handling the coin or bullion, even though the certificates may come back, as coin would, in payment of duties to the government?

The CHAIRMAN. The question I meant to ask is this: Is there any practical objection to issuing coin certificates, if persons prefer them, so as to get rid of these fractional silver dollars; in other words, is there any objection to having coin certificates ready to exchange with any persons who prefer them, down to the denominations of fives, ones, halves, and quarters?

Secretary SHERMAN. If you issue them in small sums there is the

same objection that was made always to the fractional currency, that it was very perishable and very costly, and a great loss to the people on account of its being so perishable.

The CHAIRMAN. Would they be more perishable, or a greater loss to the government, or more costly after the plates are made, than the coin itself is? Is not the waste and abrasion of the coin itself quite as great as that of the fractional currency?

Secretary SHERMAN. Experience shows that it is not. The fractional currency was found to last only about fifteen or eighteen months, while silver coin lasts in circulation about twenty-three years, and gold coin about fifty years. The actual cost of the fractional currency in the last year or two before it was abandoned was shown to be about three per cent. per annum, and that currency perished in about fifteen or eighteen months on an average.

The CHAIRMAN. But you would have the plates, so that there would be no cost in replacing it except for the paper?

Secretary SHERMAN. Yes; but on ten-cent and twenty-five cent currency the cost, even of a million, is considerable.

The CHAIRMAN. I would not have the denominations go below twenty-five cents. You speak of gold coin wearing fifty years, and silver coin a much less time; how do you account for that?

Secretary SHERMAN. That, I suppose, is because the gold coin passes through fewer hands.

The CHAIRMAN. We had a statement here the other day about a double-eagle which was weighed in the Treasury Department and found to have lost seven grains.

Secretary SHERMAN. It must have undergone pretty rapid and extensive usage.

The CHAIRMAN. Mr. Riggs, I understand, says that his loss is immense on gold coin because the Treasury will not take it from him except by weight, and his loss thereby is several per cent.

Secretary SHERMAN. There are statistical tables in the reports of the Director of the Mint which show very accurately the amount of abrasion of different coins. Gold coin, from the fact that it does not circulate so freely, lasts longer than any other.

The CHAIRMAN. I understand your answer to my question to amount to this: that there is no practical objection to issuing these coin certificates except the increased cost.

Secretary SHERMAN. As to the fractional notes the objection is one of cost and wear and tear. Another objection is this: I think the instinctive desire of men generally, especially laboring men, is to handle the coin itself. I think this desire is better gratified by the sense of touch in handling coin than in handling paper.

The CHAIRMAN. My question does not go to that extent, because it leaves it optional with people to have the one or the other as they prefer. Is there any practical objection to the government being ready to issue these certificates if the holders of coin or bullion shall so desire?

Secretary SHERMAN. I do not think that the double system is wise. If you adopt the one you should reject the other. The double system puts us to the great expense of maintaining mints to supply the coin, and also the Bureau of Engraving and Printing to supply the paper. In my judgment it is better to have either the one or the other, not both. Many very intelligent people, bankers as well as others, do, I know, prefer small fractional currency to silver currency.

There is another grave objection to the issue of coin certificates, that they will inevitably replace and destroy the legal-tender notes, or com-

pel the suspension of specie payments on such notes. In case of the slightest suspicion or doubt of the ability to maintain redemption, or in case brokers or bankers choose for speculative purposes to make gold scarce, they may, without cost or trouble, or without handling the coin, present legal-tender notes to the Treasury and demand coin, and turn over the coin for certificates. Upon issuing the certificates the Treasury must keep the full amount of coin for the payment of the certificates, thus reducing the coin reserve for the payment of United States notes, and throwing upon the Treasury the risk and expense of keeping the coin for private and perhaps hostile purposes. It was this very danger that induced me to decline in December last to issue any more gold certificates. One protection to the Treasury is the inconvenience to which the parties presenting the coins would be put in receiving and hoarding them, but if the issue of certificates is made mandatory, a few active brokers might convert all the coin in the Treasury into certificates, and leave no means with which to redeem United States notes. I can see no public interest that would be promoted by a mandatory issue of coin certificates in exchange for gold or silver bullion, and if they are issued without an actual deposit of coin, to be held for their redemption, they are only another form of United States notes.

The CHAIRMAN. One other question. What do you think of having ingots of gold or silver, say silver, of the value of $100, assayed, refined, and stamped, for purposes of exchange, instead of coin? Do you or not think that such ingots would answer the purpose of a medium of exchange with other countries, to be used instead of coin in settling balances—I mean ingots of pure silver or gold? Dr. Linderman made the suggestion to us last year, and that is why I want to get your views on the subject now. If that were done, there would be no drain from abroad upon our coinage. These ingots would be resorted to instead.

Secretary SHERMAN. We have ingots of gold and silver now. In the assay office in New York you will see great ingots of gold and silver of various denominations and values, with the values stamped upon them, just as you suggest.

The CHAIRMAN. But they are not of the same denominations as the coin?

Secretary SHERMAN. No.

The CHAIRMAN. The suggestion was to have them of the same denominations, and to have them all alike, fine ingots of silver of $100 each, with $100 worth of silver in them, measured by our standard dollar. Dr. Linderman's idea was that those ingots would be used in commerce, for the purposes I have suggested, without a resort to coin.

Secretary SHERMAN. That is rather a question of convenience. It is to provide coin of the denomination of $100 or ten eagles.

The CHAIRMAN. The idea was, I believe, that when those ingots went abroad the foreign mints would not be troubled with our alloy, because the ingot would be pure silver.

Secretary SHERMAN. Well, that is a technical question which I do not pretend to know much about—whether it is better to export silver in the pure state or not. Most of the bullion in the mint and at the assay office is gold or silver with a shade of alloy; then when coined they add the proper alloy to conform to the law of the country.

The CHAIRMAN. I will put the same question to Mr. Burchard, the Director of the Mint, whether he has given any attention to that point.

Mr. BURCHARD. I have not, particularly. The question of stamping a value upon silver bars has not been raised or considered since I have had charge of the Mint Bureau.

The CHAIRMAN. I wish, Mr. Secretary, that you and Mr. Burchard, when the notes of this conference are submitted to you, will add anything that may occur to you in the mean time upon this point.

Mr. BURCHARD. A person bringing silver bullion now to the Mint and desiring to have it converted into fine bars is entitled to have that done, and to have fine silver bars delivered to him in lieu of the bullion. The value is not stamped upon such silver bars but simply the weight and fineness. That is now the the course of business at the coinage mints and at New York assay-office.

Mr. WARNER. And the only limit under the law now is that nothing shall be stamped less than five ounces; which would be a very small bar of silver.

Mr. VANCE. What is the trade-dollar worth at the Treasury now, Mr. Secretary? At what rate do you receive it in place of bullion?

Secretary SHERMAN. We are not authorized to receive it at all except as bullion; the bullion value is now 85.8. The commercial value among the brokers is 98.75. We would buy it as bullion, if it was offered, at one cent under the market rate, because we buy at one cent less than the bullion value when offered in small lots, but in large lots we buy at the market rate for bullion.

Mr. VANCE. What is the probable amount of the fractional coin now in circulation.

Secretary SHERMAN. The exact amount of fractional silver in circulation cannot be given. Of the amount which has been paid out since January 1, 1875, there is now outstanding $41,485,438.56, and the amount now on hand at the several mints and Assistant Treasurer's Offices, is $6,598,492.44.

Mr. FISHER. To pursue the inquiry of the chairman a step further: What would you think of the idea of the issuance of silver certificates of the denominations of one dollar and two dollars? There is a scarcity of legal-tender notes of those denominations in the country.

Secretary SHERMAN. I think that the objections to issuing silver certificates or gold certificates of any denominations while United States notes are in circulation are very clear. As to the scarcity of United States notes of small denominations, that is simply because persons who come to the Treasury for money will not take them. We issue ones and twos freely, but hardly anybody wants them. Any one who chooses can come to the Treasury with a draft for $100 or $1,000, and get every dollar of it in one-dollar notes if he wishes.

Mr. FISHER. Can that be done now?

Secretary SHERMAN. Certainly, and it could always be done. I know that a stringency does occur in some localities, because the great transactions with the government require large sums of money, and people prefer notes of larger denominations because it is easier to carry large sums of money in that form. Always, since I have been in the department, I have taken great pains to distribute ones and twos, and any person receiving money can get any number of them he wishes to carry away at any time.

Mr. FISHER. In my section of Pennsylvania we have been suffering from a scarcity of those small notes. You have spoken of people preferring coin to paper; now, our people consider the silver dollar a nuisance.

Secretary SHERMAN. I think the silver dollar is rather too large for change. I was speaking rather of the subsidiary coinage. But so far as the one and two dollar notes are concerned, I am very glad to state and to have it generally known, that anybody can get as many of them

at the Treasury as he wants, either in payment of drafts or in exchange for larger sums.

Mr. FISHER. I have heard it said that the Treasury took in the smaller notes and issued only the larger ones, and I am glad to know from the Secretary that we can get the smaller denominations.

Secretary SHERMAN. I have endeavored to promote the circulation of the ones and twos in every way that I could.

Mr. CLAFLIN. The difficulty in keeping the smal llegal-tender notes in circulation is that the banks, having to keep a reserve, gather up the legal tenders and do not pay them out, but put them in the Treasury. That is because they do not issue ones and twos of their own. If they issued ones and twos of their own, the legal-tenders would be freely circulated, but as it is, the tendency must be for them to go into the bank reserves.

The CHAIRMAN. But why don't they pay them out?

Mr. CLAFLIN. Because they have to keep from 10 to 25 per cent. reserve, and they do not want to go and get gold and silver and pay out the 1's and 2's; they prefer to hold the small notes for their reserve. That is the difficulty.

Mr. FISHER. That is not the difficulty with us. The difficulty in our section is that the 1's and 2's have been worn out and have gone in for redemption, and we have not received others of the same small denominations to supply their places.

Mr. CLAFLIN. That is, your bank-notes, 1's and 2's, that were in circulation, have gone home, and the department has sent back $5 notes, or notes of some other larger denomination in place of the 1's and 2's.

Mr. FISHER. Then it is only a question of time when they will all go out of circulation.

Mr. CLAFLIN. It is only a question of time in regard to the 1's and 2's.

Secretary SHERMAN. There never was more than between five and six millions of small bank-notes in circulation, while we have from forty to fifty millions of small United States notes in circulation.

Mr. CLAFLIN. But those are all held by the banks; they are not in circulation.

Secretary SHERMAN. We give 1's and 2's for 5's, 10's, and 100's, and pay them out when called for.

Mr. CLAFLIN. But the natural result is that they are held by the banks for reserves.

Mr. WARNER. Has there been, then, within the last year, or since the act of May 31, 1878, any absolute contraction in the amount of 1 and 2 dollar legal-tender notes in circulation? Is the amount absolutely any less now than a year ago?

Secretary SHERMAN. In answer to that I will give you a table, showing the exact amount of 1's and 2's out May 31, 1878, and at the present date.

Date.	Denomination.	Amount.	Date.	Denomination.	Amount.
May 31, 1878	Ones	$21, 576, 728 80	Apr. 26, 1879	Ones	$18, 953, 172 80
May 31, 1878	Twos	21, 601, 458 20	Apr. 26, 1879	Twos	18, 871, 394 20

Mr. WILLIS. Mr. Secretary, in answer to the first question which was put to you by the Chairman you said that there were three objections to the recoinage of the trade-dollar. You stated one, and were interrupted before you had completed the statement of those objections. I should be very glad to have you now state the other two.

Secretary SHERMAN. The second objection is that it would bring us

abruptly to the single silver standard. The few millions of trade-dollars now in circulation are very unpopular and cause the demand to Congress to get rid of them. If you now make them lawful money, or authorize them to be converted at par into lawful money, the largest part of the 30 millions exported will be presented for redemption in the standard silver dollars. If you force the standard silver dollars into circulation, I know by experience they will at once come back for taxes and bonds, and as often as reissued will come back until we will be driven to hoard them in our vaults, or they will drag our paper money down to the market value of silver bullion and will expel gold. This will create wide and sweeping changes in contracts. For forty years all contracts have been based upon gold coin, except since the issue of legal-tender notes. Now these are at par with gold coin, and thus far we have maintained our silver coin at the same standard because the amount was limited and the supply mainly in the Treasury. The addition of 30 millions of trade-dollars to our active circulation, together with the continued coinage of two millions a month of standard dollars, would soon force into use the silver dollar as the sole standard of value for all paper money and for all contracts. If this is to be done it should be directly by free coinage, when all silver bullion would have an equal chance and not by discriminating in favor of bullion in a trade-dollar, every one of which now in circulation in this country is a fraud upon the law. My view of this trade-dollar was given last year in a letter which was published, and was bettere xpressed than I can in this conversation. If you will allow me I will hand it to the reporter.

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, D. C., September 3, 1878.

SIR: I hasten to fulfill the promise I made you that upon my return to the department I would write you fully concerning the issue of the trade-dollar and the present depreciation in its value.

The coinage of this dollar was authorized by the coinage act of February 12, 1873, in words as follows:

"That any owner of silver bullion may deposit the same at any mint to be formed into bars or into dollars of the weight of four hundred and twenty grains troy, designated in this act as trade-dollars, * * * and the charges for converting standard silver into trade-dollars, for melting and refining, when bullion is below standard, for toughening when metals are contained in it which render it unfit for coinage, for copper used for alloy, when the bullion is above standard, for separating the gold and silver when these metals exist together in the bullion, and for the preparation of bars, shall be fixed from time to time by the Director [of the Mint], with the concurrence of the Secretary of the Treasury, so as to equal, but not exceed, in their judgment, the actual average cost to each mint and assay office of the material, labor, wastage, and use of machinery employed in each of the cases aforementioned."

As its name indicates, the purpose of this coin was for *trade*, not for circulation, though by classifying it with other silver coins the law made it a legal tender to the amount of five (5) dollars in any one payment.

At the time of the passage of the act the actual value of this dollar, including the charge of 1½ cents for coinage, was a little more than $1.04 in gold.

Under such circumstances there could be no object for the owner to put the coins into circulation, and consequently they were exported mostly to China, where, from lack of a circulating medium, these pieces, convenient in size, and bearing the guarantee of a great government as to their weight and fineness, obtained an extensive circulation, and created a market for the silver of the Pacific States, as intended by the act.

After a few months, however, an unforeseen depreciation in the value of silver bullion occurred, and in the early part of 1876 this depreciation reached such a point that one dollar in gold would purchase more than the necessary amount of silver for a trade-dollar and pay for its coinage.

Under such conditions dealers in bullion found a profit in putting trade-dollars into circulation at par in the Pacific States, where the currency was upon a gold basis, but the coin being a legal tender for only five (5) dollars, its circulation was necessarily limited in amount as well as restricted in locality.

The people of the Pacific States, however, objected to its use at all for circulation,

and the attention of Congress having been called to the matter, on the 8th of May, 1876, Hon. Samuel J. Randall, of Pennsylvania, introduced into the House a bill the third section of which repealed the legal-tender quality of these coins.

On the 10th of June following, Hon. S. S. Cox, of New York, reported the measure to the House, urging its adoption.

No objection was raised, and it became a law July 22, 1876, without modification or an opposing voice or vote in either House, and is as follows:

"That the trade-dollar shall not hereafter be a legal tender; and the Secretary of the Treasury is hereby authorized to limit, from time to time, the coinage thereof to such an amount as he may deem sufficient to meet the export demand for the same."

Up to that time (excepting a few days), and for several months thereafter, the trade-dollar cost more than a paper currency dollar, and consequently none of the coins got into circulation in other than the Pacific States.

Owing to the appreciation of the paper currency, however, in the fall of 1877 the trade-dollar became of less value than the paper dollar, and in December of that year a large number of them were put into circulation, at their face value, at a profit to the owners of the bullion.

Apprehensive of such misuse of the coins, on the 15th of October in that year I ordered the discontinuance of their coinage at the mint at Philadelphia, and four days later at the other mints. Meanwhile the Department, in reply to numerous inquiries, had uniformly stated that the trade-dollar possessed only a commercial value depending upon the price of silver bullion.

It will be seen that the coins were put into circulation months after the passage of the act taking from them their legal-tender character, and mainly after their coinage had ceased.

But in their use as money the department has never had any interest or derived any profit. For the expense of their coinage the owner of the bullion reimbursed the government, and this ended the connection of the government with the transaction. At no time and on no account have they ever been received, or paid out, by the Treasury, and it is a cause of regret that so many of our people should have accepted them at their face value, thus enabling their owners to put them into circulation at a considerable profit.

Under date of July 25, 1878, the Director of the Mint published tables from which the value of these coins can be ascertained and the terms on which they are received at the mints. He does not advise any one to dispose of them at such rates. The law under which the department buys bullion with which to coin the standard silver dollar requires the same to be bought at the market price, and it can purchase trade-dollars only as bullion. Possibly in time these coins will find a ready market in China at nearly or quite their face value, for circulation as coin.

In this connection permit me to correct any misapprehension as to the purpose and effect of the Director's circular. As early as August 24, 1876, the department informed an inquirer that the trade-dollar had only a bullion value, and this information has been repeated scores of times, and published by the press throughout the country. To avoid the labor of preparing manuscript letters, the Director embodied the information in a circular, adding thereto tables for the computation of such value. There was no new decision involved in the circular, though possibly its publication may have hastened the depreciation of the coins to their true value—an event which was inevitable, and could not have been much longer delayed.

Very respectfully,

JOHN SHERMAN,
Secretary.

O. H. BOOTH, Esq.,
Mansfield, Ohio.

The third objection to monetizing the trade-dollar is, that it would seriously impair the public credit, and delay, if not defeat, the important refunding operations that ought to occur two years hence, when 800 millions of United States bonds will become redeemable at the pleasure of the government. In January last, after resumption was accomplished, it became very easy to sell our 4 per cent. bonds. We sold nearly as many in the month of January as we did in two years before. I can assure you that if the public mind had been convinced that the trade-dollar was to be monetized, and that the government would adopt the single silver standard, we could not have accomplished the refunding of the 5-20s and 10-40s. The forbearance of Congress at the last session greatly aided the Treasury Department. The shadow of this fear was the only restraining motive in refunding. If by 1881

the measures proposed shall have been adopted, it will not, in my opinion, be possible to sell 4 per cent. bonds at par. But if let alone, the whole 800 millions may be funded at 4 per cent. or less. Public credit is exceedingly sensitive. Gold was the standard coin in contemplation when all the bonds were issued. To take advantage of the unforeseen fall of silver bullion to issue a silver coin worth only 85 per cent. of gold coin would excite distrust and fear. To advance public credit you must do all or more than was expected by your creditor when your securities were issued, and you get the full benefit of this in lower rates of interest and improving credit.

My general answer to your question as to the trade-dollar is that this coin ought to be left precisely where it is, a piece of silver bullion containing 420 grains of standard silver, issued for the benefit of merchants, at their cost and for their benefit, for exportation; that every one of them now in circulation is there by an evasion of the law. They were issued after they ceased to be a legal tender for any amount, and their circulation should be discouraged and refused by every citizen. If they are now monetized it will be a discrimination of full 15 per cent. against our miners of silver who have bullion to sell and in favor of the Chinese and of our own merchants, who, by buying up this form of sil ver bullion in China for 85 cents, can sell it to the government for a dollar. The proposition if adopted would suddenly change our standard of values from gold to silver, and would seriously impair our public credit and our ability to reduce the interest of the public debt.

If, however, it is deemed politic to redeem the trade-dollar and get it out of the way, the better course would be to authorize its purchase as bullion, at a slight advance over other forms of bullion, to be paid for with lawful money, or by the sale of bonds. This would soon retire those in this country without tempting their importation from China. The public would soon understand that they were not lawful money, and this would stop their circulation.

Mr. WARNER. I understood you to say, Mr. Secretary, in connection with the trade-dollar, that you regarded it as stamped bullion rather than as United States coin. The language of the law is: "The silver coins of the United States shall be a trade-dollar, a half-dollar," and so on. Is there any objection to so amending that section as to strike out the words "trade-dollar"?

Secretary SHERMAN. No. I think that the best way to dispose of the trade-dollar is to just let it alone as so much bullion, and to coin no more. I know the origin of it. It was issued simply for the convenience of merchants of California, to give them a market for their silver. It was stamped a trade-dollar, but neither that nor any other silver dollar was put in circulation in this country until three years afterward. I think its limited legal-tender quality was given it on the revision of the statutes, but afterward was taken away.

Mr. WARNER. This language that I have read is in the coinage bill of 1873.

Secretary SHERMAN. Then it was grouped with other silver coins as a legal tender for five dollars. The trade-dollar was coined at the expense of the depositor of the silver, for his benefit, and without any profit to the United States.

Mr. WARNER. Is there any longer any object in coining that piece at all for private parties?

Secretary SHERMAN. No, sir; and I should refuse to do it now if such an application were made.

Mr. WARNER. Is it not true that the owner of the bullion really gets

no more for his bullion when it is divided into pieces of 420 grains each than he would get if it were divided into pieces of 412½ grains? Was there ever any gain to the owner in having it coined?

Secretary SHERMAN. Yes; there was an advantage to him from 1873 up to the time when the trade-dollar fell below the market value of gold coin.

Mr. WARNER. But could he get any more per ounce for his silver? A bar of silver containing 100 ounces will make 114 trade-dollars, or 116 standard dollars. The owner of the bar could get no more per ounce for his silver when divided into pieces of 420 grains than when divided into pieces of 412½ grains each, could he?

Secretary SHERMAN. Yes, in China he could get more. The Mexican dollar was formerly the only dollar that got a foothold in China. The Chinese would not take our old American dollar of 412½ grains, because it was less valuable than the Mexican dollar, and therefore the trade-dollar was coined, containing 420 grains, so as to make it better than the Mexican dollar, and thus win its way into circulation in China. That was the object.

Mr. DE LA MATYR. It was rather as money than as bullion.

Secretary SHERMAN. It was bullion put into a form more valuable or more acceptable to the Chinese.

Mr. WARNER. But is it not true that we got no more per ounce for our silver in the end?

Secretary SHERMAN. The government did not get any more.

Mr. WARNER. Neither did the bullion-dealer.

Secretary SHERMAN. But he got a market for his silver. They would take it in this form when they would not take it in the form of our old dollar.

Mr. WARNER. But at the time when the trade-dollar was adopted we stopped the coinage of the standard dollar. It was done in the very same act. Now, my point is this, that when our standard dollar would not pass in China and Japan at the same value as the Mexican dollar, the reason was simply because it contained a little less silver; but would it not pass for its bullion-value, the same as all coins pass for in foreign countries?

Secretary SHERMAN. No; at that time the silver dollar did not pass anywhere except for exportation to China or India. Several millions of the old standard dollars were sent to China but they were objected to by the Chinese, and therefore the merchants of California, who wanted to make their silver bullion available, got Congress to order the coinage of this trade-dollar which could be exported successfully.

Mr. WARNER. Then you think that by dividing 100 ounces of silver into pieces of 420 grains each the bullion-dealer did get more per ounce for his silver than he would have got for it in pieces of 412½ grains each?

Secretary SHERMAN. He did in China; he did not here. He did in China because they liked the form of the coin; just as a person is willing to pay more for one piece of calico than for another of the same material because he likes the pattern.

Mr. CLAFLIN. Did not the bullion men obtain more use for their bullion in this form than they could in the ordinary form?

Secretary SHERMAN. They did.

Mr. FISHER. They had a commodity to sell, and by getting it coined into trade-dollars they put it in a form to suit their customers.

Secretary SHERMAN. Yes.

Mr. WARNER. But it comes right back to this point, that if you divide

up 100 ounces of silver into pieces of 420 grains each you get more per ounce for your silver than if it were divided into pieces of 412½ grains. Now, would that be the case in England or France?

Secretary SHERMAN. No; but we did not send them to England or France at that time.

Mr. WARNER. But when we export coin don't all foreign countries assay it and determine its value according to the quantity of metal that it actually contains?

Secretary SHERMAN. All European countries do and Japan does now; but in China they took the coin of a foreign nation and circulated it. They put a kind of stamp upon it, which did not impair its value at all, but served to naturalize it, as we might say, and then they circulated it.

Mr. WARNER. Our trade-dollar is unlike any other coin issued by any country. It has a little more value than the Japanese yen, and it has a little more value than the Mexican silver dollar.

Secretary SHERMAN. Yes, it has a little more value than the Mexican silver dollar. I do not know that any other coin contains just the same amount of bullion. None of the trade-dollars have been issued lately, and none can be issued now.

Mr. WARNER. Then I understand that you think there is no objection to striking out the trade-dollar from our coinage?

Secretary SHERMAN. Not the slightest. I am in favor of that course. In October, 1877, I issued an order, under the authority which the law gave me, stopping the coinage of the trade-dollar. The reason was that at that time, by the gradual depreciation of silver, the gold value of the trade-dollar was less than par, and there was no demand for it for exportation.

Mr. CLAFLIN. The law gave you power to stop the coinage of the trade-dollar?

Secretary SHERMAN. The law leaves it discretionary with the Secretary of the Treasury.

Mr. CLAFLIN. So that if a demand for them should spring up, you could issue them again?

Secretary SHERMAN. Yes; the amount to be issued is left discretionary with the department.

Mr. CLAFLIN. And if a man now should ask you for trade-dollars, you would not make them unless you had evidence that he wanted to send them abroad?

Secretary SHERMAN. No; the language of the law is that they are to be coined for exportation only.

Mr. WARNER. The present language of the statute is, "The silver coins of the United States shall be a trade-dollar," &c.

Secretary SHERMAN. Yes; but the act of July 22, 1876, authorizes the Secretary to limit the coinage of the trade-dollars to such an amount as he may deem sufficient to meet the export demand for them.

Mr. WARNER. I wish to call your attention now, Mr. Secretary, to section 3511 of the Revised Statutes, which is section 1 of the bill now before this committee. The law as it now stands leaves out the word "unit," which, I believe, up to 1873, always followed both the gold and silver coins, and substitutes the words "which at the standard weight of 25.8 grains shall be the unit of value." That you understand, I suppose, as changing the standard from both metals to gold alone.

Secretary SHERMAN. I think that your insertion in this bill of the words "or unit" is substantially the same as the language of the original section. But that is a matter of criticism.

Mr. WARNER. The language now is "which at the standard weight of 25.8 grains shall be *the* unit of value.

Secretary SHERMAN. Well, I think that is substantially the same. There can be but one unit. If you mean the word unit in its singular sense you can have only one.

Mr. WARNER. But a silver dollar may be a unit as well as a gold dollar?

Secretary SHERMAN. Yes, you might make it "units," in the plural.

Mr. WARNER. But a silver dollar may be a unit as well as a gold dollar, may it not? Whether both the units are of the same value or not, is another question.

Secretary SHERMAN. That is a question which I suppose I need not discuss here.

The CHAIRMAN. Mr. Warner's idea is that this legislation, making the gold dollar the unit of value, was the turning point in our monetary system.

Mr. WARNER. Before that the standard rested upon both metals, or either, alternately, if they varied in value.

The CHAIRMAN. One was not made the unit of value to the exclusion of the other; but when this change was made silver was demonetized, and that was the turning point in our monetary system.

Secretary SHERMAN. I would suggest to Mr. Warner that he had better say "a unit." But what you want to get at is my opinion as to whether we should have a single or a double standard.

Mr. WARNER. Yes, we will come to that later; but, at this point, I want to ask another question. Gold dollars, I believe, are now recoined, or it is the law that they shall be if they fall in weight more than one-half per cent. below the standard fixed by law and the limit of tolerance.

Secretary SHERMAN. Yes, the law provides for recoinage in such cases.

Mr. WARNER. What limit of tolerance would you advise for silver coins? I will ask the Director of the Mint the same question.

Secretary SHERMAN. I have no very accurate knowledge about these technical questions; and I think you can get that information better by asking the assayer or some of the technical officers of the mint, than you can from us.

Mr. WARNER. The States of the Latin Union make it one per cent. Should that be adopted here with reference to the silver dollar if it is proposed to coin silver dollars unlimitedly?

Secretary SHERMAN. Our coinage is thought to be the best in the world now, because our limit of tolerance is very low, and the actual tolerance is very slight. At least that has been claimed for our coinage. But Mr. Robert Patterson, of Philadelphia, formerly superintendent of the mint, or Mr. Snowden, the present superintendent, can give you more definite information on that subject than I can.

Mr. WARNER. The most important feature of this bill is, of course, in section 3, proposing to change section 3520 of the Revised Statutes, which now reads as follows: "Any owner of silver bullion may deposit the same at any mint, to be formed into bars or into dollars of the weight of 420 grains Troy, designated in this act as trade-dollars."

Secretary SHERMAN. I suppose you would rather have me state my view as to whether or not we should have a double or single standard?

Mr. WARNER. Yes, your view in regard to restoring silver to unlimited coinage.

Secretary SHERMAN. It would be a great object of national desire if we could restore silver and gold to free coinage; but it is one of the most difficult and delicate financial operations that you can propose.

It has been more debated than almost any other question in the whole range of financial discussion. My idea is that you cannot do it; that it is not possible to do it, and that this law would not do it, unless you make the ratio of the two metals as fixed by the law correspond as nearly as may be to the market value of the two coins.

Mr. WARNER. Do you think that practicable? Is the market value, under the present coinage laws of Europe, so stable that it would be possible for one country alone to do that?

Secretary SHERMAN. I will come to that in a moment. It is undoubtedly an important point. Now the attempt to make common or free coinage of the two metals, when there is a wide divergence between the legal ratio and the market ratio, has utterly failed in the past in many countries and in different ages. It is no use to try to do it. You cannot do it. The inevitable result will be that the cheaper bullion will fill all the channels of circulation, and that instead of a bi-metallic money of two metals you will have a mono-metallic money of the cheapest. That is an axiom, which it is hardly worth while to discuss because it has been proved so many times.

Now let me go a step farther. If the effect of this law would be to bring silver and gold to the relative standard that you propose, it would be a great object of desire, and nobody would be more in favor of it than myself, but I am sure (expressing an opinion pretty strongly) that the only effects of its adoption would be to bring upon us the surplus silver of other nations, of Germany and of France, where there is supposed to be four hundred million of dollars of silver, and also to relieve England from her embarrassments about India; and that our gold would flow from us until we would be practically and substantially at the single silver standard upon its bullion value.

Mr. WARNER. Upon that point I would like to ask you how, under this bill, which proposes the unlimited coinage of silver, silver bullion of other countries would come here any more than it does now. Will an ounce of silver bullion, or a pound or a ton, exchange for any more of our commodities after being coined under the provisions of this bill than now; and if not, why would it come here then any more than it does now?

Secretary SHERMAN. Because silver being the cheaper metal, all the balances of trade will be met and all commodities bought from this country will be paid for in that coin which is the cheaper, and the result would be that gold would be as thoroughly demonetized as silver was demonetized from 1834 until 1873.

Mr. WARNER. Would that change the value of silver bullion as compared with commodities in the United States?

Secretary SHERMAN. No, but it would reduce the value of the silver dollar as compared with our commodities.

Mr. WARNER. Then why would silver come here in the form of bullion from other countries any more after being coined than it does now?

Secretary SHERMAN. Simply because foreign nations would pay for all they bought of us in the cheaper coin, and all our values would come to be measured by the standard silver dollar, 412½ grains of silver bullion. Now they are measured by 25.8 grains of gold, but if you adopt the double standard it means the single standard of the cheaper metal, because in the nature of things you cannot maintain two standards unless you have two equivalent values. Mr. Warner's object is all right, and I agree with him perfectly in desiring it, but I believe that any attempt to attain it by depending upon the present ratio of 16 to 1 would be as futile as the attempt of King Canute to check the ebb and flow of the sea. It is one of those operations of nature which human government

cannot control. But if this government would adopt the standard or relation between the two metals which conforms as nearly as may be—you cannot come to it exactly—but as nearly as may be to the relative value of the two metals, then I believe it would be a very great object of desire, because then, if the surplus silver of the world came to us, we would get it at its market value and not at an exaggerated value. The fixed ratio resulting from this action would probably prove to be a close approximation to the market ratio for a considerable period of time. If you approximate the true relation within one or two cents, it may prove for perhaps a hundred years about the true ratio between silver and gold. In France the ratio of 15½ to 1 adopted in 1803 was very near the market rates for a long time.

If this government is now to adopt a ratio which will fulfill these conditions, the present market values of the two metals will have to be taken as the basis.

Mr. CLAFLIN. Do you mean our government alone or the commercial nations acting together?

Secretary SHERMAN. That is a question. Just now there is evidently a strong desire in several nations to adopt a new relation. Great Britain is threatened with great disasters from different standards in England and India. Among French statesmen there is a desire for a readjustment of this question, and I believe that if we hold firmly to our present position of a limited coinage of silver, or if we adopt the present market value of gold and silver as our ratio, we will bring the other nations to adopt that ratio. The conference that was had last summer really produced a great deal of good.

Mr. WARNER. Do you think that if we should adopt the market ratio of London to-day, there is any more probability that other nations will come to us at that ratio, or as great a probability, as there would be if we should adopt the ratio of 15½ to 1, the ratio now existing between most of the silver and gold coin of Europe?

Secretary SHERMAN. The trouble is that the ratio of 15½ to 1 is not the true ratio between the two metals, owing to two or three causes.

Mr. WARNER. Is not the change caused mainly by the recent German and the American laws, and the suspension of silver coinage in Europe?

Secretary SHERMAN. No; it is caused mainly by the falling off of the enormous drain of silver to India and China, by the increased production of silver, and the estimated enormous yields that are to come in a few years from the mines that are now being developed in our Western country, and also by the action of the German and the French Governments in limiting the coinage of silver. The English first commenced this in 1815; then came the action of France and other nations in the formation of the Latin Union, and then the action of the German Government, and our own coinage act in 1873.

Mr. WARNER. But is it not true that in the early part of this century the proportion of the production of silver to gold was much greater than the present proportion?

Secretary SHERMAN. Yes, that is true; but the aggregate of exchanges as well as values have enormously changed since then. The nominal prices of things now, except in cases where human devices have cheapened commodities by facilitating their production, are two or three times as great as they were in the beginning of this century. The use of gold to settle balances of trade has enormously increased.

Mr. WARNER. To recur to the opinion which you have expressed that under free coinage we should be put at a disadvantage in our trade with other countries, or be liable to have our commodities taken from us at

less value than we are getting for them now: do you really think that that would be the case? Would our people part with more commodities for the same weight of silver under free coinage than they do now?

Secretary SHERMAN. No; but we would be reduced to a single silver standard instead of what we have now—a single gold standard—and we would gain nothing. We are now competing successfully with foreign nations on the gold standard, but we would then be competing at the disadvantage of having an inferior metallic standard.

Mr. CLAFLIN. And would not that single standard be changing constantly in comparison with the gold standard of Europe, just as our currency has been?

Secretary SHERMAN. Yes.

Mr. WARNER. Is it not a fact that the value of gold now, under the German law demonetizing silver and under our law of 1873 and under the laws of other States in Europe suspending the coinage of silver—is it not the fact that under these laws the value of an ounce of gold is very different from what it would have been if those laws had never been passed? And if that be true, then, by those laws (including our own law) has not the value of gold as a standard been changed?

Secretary SHERMAN. I do not think that our law has had the slightest effect in that respect. At the time the law was passed there were no silver dollars in circulation. But all the causes that I have mentioned have contributed to disturb the former relation between gold and silver. If you ask me whether that has not been injurious, and has not contributed to raise the relative price of gold, I say, frankly, yes; but how can we single-handed help it? We can only conform the law to existing facts. In adopting a new ratio we only do what has been done many times—what our ancestors did; we must weigh and adjust carefully the present relative value of the two metals. Between the time of the framing of the Constitution and the passage of the act of 1792 experiments of the most delicate character were carried on at different places for the purpose of ascertaining the real comparative value of the two metals, and when Hamilton ascertained that, he fixed the coinage ratio at precisely the market ratio. He said that it was important to maintain the two metals in circulation, but that it could be done only by adopting the market value as the legal ratio, and in this way the ratio was fixed at 15 to 1. On the same basis the French, a little later, fixed it at 15½ to 1. This divergence left the silver here and gold went abroad. We tried to correct this in 1834 by making the ratio 16 to 1, and then the silver disappeared and gold came into circulation here.

Mr. WARNER. But is it not true that what you call the market value depends very largely upon the laws of the different States establishing the ratios?

Secretary SHERMAN. It depends somewhat upon those laws, but laws must recognize facts; natural facts are never controlled by laws. Law cannot give value to a grain of sand.

Mr. WARNER. But if the laws of different countries give greater use to one metal and less to another, then do they not contribute directly to determining the relative market value of the two?

Secretary SHERMAN. If the passage of laws was the sole operating cause of the present divergence of market value from the old ratio, then the re-enactment of the old laws might restore the old ratio; but it is only one and the least of several causes, and therefore you must examine the other causes and establish your new ratio so as to get at the market value irrespective of all laws. Your laws must recognize market values, for they cannot control them.

Mr. WARNER. Suppose we should establish the market ratio to-day, and to-morrow or next month France should demonetize silver and offer her stock on the market, and call for gold to take its place in the currency of France, where would the American ratio be then?

Secretary SHERMAN. My answer to that is that I would wait in patience and expectancy until France and England ask us, as I believe they will within two years from this time, to join them in making a new ratio; or, if we are compelled to make a new ratio, it should be such a one as will not induce other nations to send to us the depreciated metal at above its market value as bullion. We are strong, but we are not strong enough to make 16 ounces of silver equal to 1 ounce of gold. The inevitable result of such an attempt would be that we would lose our gold and have a single standard of silver coin. If, on the contrary, we adopt a ratio of about 18 to 1, other nations would not bear the loss of a sale at that rate of their silver coin. The true way is to wait, using silver at the present ratio only to the extent that is demanded for convenient use, and no more.

Mr. WARNER. Under existing laws, must it not follow as a necessary consequence that gold will still further appreciate as compared with property and commodities generally? From the very nature of things, must it not be so, and, consequently, will we not be subject to a constant appreciation of gold under our standard if we leave it as it is?

Secretary SHERMAN. My impression is that commercial exchanges being conducted, as they are now, very largely by paper money or public securities, there will not be any further appreciation; but that is a matter of which you, gentlemen, can judge as well as I. Now, I wish to say this: All our Treasury operations, which have been very heavy during the last few months, have been conducted without the use of gold or silver. At the end of the first fifteen days in April, after we had paid out about $80,000,000 for called bonds, I made inquiry to ascertain how we had paid it, and whether we had used coin, and it turned out that no coin whatever had been used. Sixty-five millions of the amount was paid by exchanges of bonds for bonds, and the remaining fifteen millions by drafts which were paid through the clearing-house.

Mr. WARNER. Between countries only balances are at any time paid in money, I believe, but nevertheless you do not mean to intimate, I suppose, that if half of the metallic money was destroyed prices would not be affected?

Secretary SHERMAN. No.

Mr. DE LA MATYR. Our bonds that are out we have contracted to pay in coin, and our silver was coined at its present value. Now, do we not appreciate the bonds when we appreciate the value of the coin in which we agreed to pay them?

Secretary SHERMAN. Our bonds were sold at a time when the gold unit was, as it still is, the standard of value. The silver coin has not for nearly forty years been the standard, but, on account of the limited amount now in circulation, has been lifted up to the gold value, in spite of its market depreciation. It would seem to me that after we have brought our paper, our bonds, and our silver up to the gold basis, the better way is to adhere to it rather than to take advantage of the depreciation of silver to pay in a coin of less market value than was received for our bonds.

Mr. DE LA MATYR. You think it would be dishonest and a measure of repudiation to do otherwise?

Secretary SHERMAN. I do not like to use the word dishonest, because I know a great many honest men who do not think that such a measure

would be dishonest; but I am quite satisfied that it would be very bad public policy, and that if we should adopt it we would suffer terribly in consequence, not only in public credit but in actual loss of trade and money.

Mr. WARNER. The Secretary has expressed the opinion here that unlimited coinage of silver would operate to expel gold from the country. The question I want to ask is whether, under the present law requiring the coinage of not less than two millions of silver a month, the same effect will not be produced in a somewhat longer time, and whether to avoid this result it will not become necessary at no distant day to change the present law, and whether the Secretary would not recommend a change?

Secretary SHERMAN. I do recommend a change of the present law. I think with you that the coinage of silver dollars at the rate of two millions a month would finally (it might take three or four or five years) so load us down with depreciated silver coin that, by the necessities of the government, it will be forced into circulation and be depreciated to its bullion value; but I take it that the good sense of Congress, enlightened as it will be by public discussion, will find some solution of this silver question. My hope is that you will suspend the coinage of the silver dollar, which now the people refuse to take, or at once return to the Treasury when issued, and await a negotiation for a new ratio; or, if that is deemed unadvisable, that it will increase the weight of the silver dollar so as to make it fairly equal in market value to the gold dollar. Then I would be willing to take the risk of the free coinage of both metals.

Mr. CLAFLIN. But as you purchase on bullion value now, the government would not suffer except by the loss of interest, unless there was still further depreciation.

Secretary SHERMAN. No.

Mr. WOOD. What would be the effect of passing this bill, in your opinion, Mr. Secretary?

Secretary SHERMAN. I think I have already answered that. I think the effect would be to bring us to the single silver standard and the expulsion of gold.

Mr. WARNER. The coinage of our silver dollar has really the same effect upon gold, has it not, that an increase of two millions a month of legal-tender notes would have?

Secretary SHERMAN. No; because we cannot get the silver dollars into circulation. We have tried it in every way, but we cannot succeed.

Mr. VANCE. Can't you pay them out for bonds?

Secretary SHERMAN. There would be no object in that. They would come right back.

Mr. WARNER. But with unlimited coinage the government would not have that question to meet at all.

Secretary SHERMAN. No.

Mr. WARNER. It would simply be with the public to say whether they would have the silver or not.

Secretary SHERMAN. O, if Congress says so, we can make the public take the silver.

Mr. WARNER. But under unlimited coinage the government would have nothing to do with putting coins into circulation?

Secretary SHERMAN. No; but there would be no gold coin at all; not a dollar.

Mr. WARNER. But that you have stated will sooner or later be the result under the present law.

Adjourned.

APPENDIX.

MONETARY CONVENTION CONCLUDED DECEMBER 23, 1865, BETWEEN FRANCE, BELGIUM, ITALY, AND SWITZERLAND. RATIFIED AT PARIS JULY 23, 1866.

[Translated by Mrs. A. J. Warner.]

His Majesty the Emperor of France, His Majesty King of Belgium His Majesty King of Italy, and the Swiss Confederation, equally desirous of establishing a more perfect harmony in their monetary legislation to remedy the inconveniences which proceed from the diversity of standard in their silver money of account in the business transactions between the inhabitants of their respective States and for the furtherance of a uniformity of weights, measures, and coins, have determined to conclude a convention for this purpose, and have appointed commissioners, with full powers, as follows:

[Here follow the names of the commissioners, with their titles:]

Who, after exhibiting their respective credentials, and finding them in good and due form, concurred in the following articles:

ART. 1. France, Belgium, Italy, and Switzerland are constituted a State of Union in relation to the weight, fineness, model, and circulation of their gold and silver coins.

Nothing is changed at present in the legislation respecting debased money in any of the four States.

ART. 2. The high contracting parties agree neither to coin nor allow to be coined, with their imprint, any gold coins excepting pieces of a hundred francs, of fifty francs, of twenty francs, of ten francs, and of five francs, fixed as to weight, fineness, tolerance, and diameter as follows:

Kind of pieces.		Weight.		Fineness.		Diameter.
		Correct weight.	Tolerance of weight.	Fineness.	Tolerance of fineness.	
	Francs.	*Grammes.*	*Thousandths.*	*Thousandths.*	*Thousandths.*	*Millimetres.*
Gold	100	32, 258. 06	1	900	2	35
	50	16, 129. 03				28
	20	6, 451. 61	2			21
	10	3, 225. 80				19
	5	1, 612. 90	3			17

They shall receive without distinction into their public treasuries the pieces of gold coined according to the preceding conditions in either of the four States, with the right, however, to refuse those pieces where weight is reduced by wear one-half per cent. below the tolerance indicated above, or from which the imprint has disappeared.

ART. 3. The contracting governments bind themselves neither to fabricate, nor permit to be fabricated, any silver coins excepting pieces of five francs, in weight, fineness, tolerance, and diameter set out below:

Kind of piece.	Weight.		Fineness.		Diameter.
	Correct weight.	Tolerance of weight.	Fineness.	Tolerance of fineness.	
Francs.	*Grammes.*	*Thousandths.*	*Thousandths.*	*Thousandths.*	*Millimetres.*
Silver..... 5	25	3	900	2	37

They shall reciprocally receive the said pieces in their public banks under the right to exclude those of which the weight has been reduced by wear one per cent. below the tolerance indicated above, or from which the imprint has disappeared.

ART. 4. The contracting parties shall hereafter fabricate only pieces of silver of two francs, of one franc, of fifty centimes, and of twenty centimes, under the conditions of weight, of fineness, of tolerance, and diameter determined below.

Kind of pieces.		Weight.		Fineness.		Diameter.
		Correct weight.	Tolerance of weight.	Fineness.	Tolerance of fineness.	
Francs.	*Centimes.*	*Grammes.*	*Thousandths.*	*Thousandths.*	*Thousandths.*	*Millimetres.*
Silver..... 2	00	10 00	5	835	3	27
1	00	5 00	5			22
0	50	2 50	7			18
0	20	1 00	10			16

Those pieces must be recoined by the governments which issue them when they become reduced by wear five per cent. below the tolerance indicated above, or whenever the imprint shall have disappeared.

ART. 5. The pieces of silver of two francs, of one franc, of fifty centimes, and of twenty centimes, coined under conditions differing from those indicated in the preceding article, must be retired from circulation before January 1, 1869.

The time is extended until January 1, 1878, for the pieces of two francs and of one franc, put in circulation in Switzerland by virtue of the law of January 31, 1860.

ART. 6. The pieces of silver fabricated under the conditions of Article 4 shall be legal tender between private persons of the State which has coined them up to the sum of fifty francs for each payment.

The State that puts them into circulation shall receive them from citizens without limitation of quantity.

ART. 7. The public treasuries of each of the four countries shall receive the silver pieces coined by any of the other contracting States, conformably to Article 4, up to the amount of one hundred francs for each payment made to the said treasuries.

The Governments of Belgium, of France, and of Italy shall receive upon the same terms, until January 1, 1878, the Swiss pieces of two francs and of one franc emitted in virtue of the law of January 31, 1860, and which during the same period are similar in all respects to the pieces coined under the conditions of Article 4. The whole is subject to the provision relative to wear given in Article 4.

ART. 8. Each of the contracting governments pledges itself to take from private parties or from the public banks of the other States the money of account of silver which has been put in circulation, and to exchange it for an equal value of legal-tender money (pieces of gold or of silver five-francs) with the condition that the sum presented for exchange shall not be less than one hundred francs.

This obligation shall continue two years after the expiration of the present treaty.

ART. 9. The high contracting parties shall put in circulation coins of silver of two francs, of one franc, of fifty centimes, and of twenty centimes, coined under the conditions given by Article 4 to the amount only of six francs for each inhabitant.

The quantity shall be determined by taking the last census made in each country and the presumed increase of population until the expiration of the present treaty.

Table for the various States.

France	239,000,000 francs.
Belgium	32,000,000 francs.
Italy	141,000,000 francs.
Switzerland	17,000,000 francs.

There shall be deducted from the foregoing sums, which the governments have a right to coin, the sums already in circulation:

For France, in virtue of the law of May 25, 1864, in pieces of fifty centimes and twenty centimes, about sixteen millions.

For Italy, in virtue of the law of August 24, 1862, in pieces of two francs, one franc, fifty centimes, and twenty centimes, about one hundred millions.

For Switzerland, in virtue of the decree of January 31, 1860, in pieces of two francs and one franc, about ten million five hundred thousand francs.

ART. 10. The date of the coinage shall be inscribed upon the pieces of gold and silver coined hereafter in the four States.

ART. 11. The contracting governments shall communicate annually the proportion of their circulation of gold and silver, the account of redemption and recoinage of their gold and silver money, the account of the redemption and recoining of their old coins, and the whole situation, and all the administrative documents relating to money.

They shall give an impartial account of all the facts which concern the mutual circulation of their gold and silver coins.

ART. 12. The right to join the present convention is reserved for any other State which may accept the obligations and adopt the monetary system of the Union, as far as concerns their gold and silver coins.

ART. 13. The execution of the mutual obligations included in the present convention, as far as may be, is subject to the methods and regulations established by the laws of the contracting States, which are considered to promote the fulfillment, and which shall cause it to be carried into effect with the least possible delay.

ART. 14. The present convention shall remain in force until January 1, 1880.

If one year previous to that time no notice has been given, it shall remain binding by right for a further period of fifteen years, and so continue for periods of fifteen years, except notice be given.

ART. 15. The present convention shall be confirmed and the ratification shall be exchanged at Paris within six months, or earlier, if possible.

In proof of which the respective commissioners have signed the present convention and affixed their seals.

Done and four copies made at Paris, December 23, 1865.

For France:

E. DE PARIEU.
PELOUZE.

For Belgium:

FORTAMPS.
A. KREGLINGER.

For Italy:

ARTOM.
PRATOLONGO.

For Switzerland:

KERN.
FEER HERZOG.

MANIFESTO RELATIVE TO THE COINAGE OF SILVER DURING THE YEAR 1876, IN SWITZERLAND, BELGIUM, FRANCE, ITALY, AND GREECE.

[Translated by James Gilmore for the Cincinnati Commercial.]

The undersigned, delegates of the Governments of Switzerland, of France, of Italy, and of Greece, in conference assembled, in conformity with Article 5 of the Monetary Manifesto of February 5, 1875, and regularly authorized for this purpose, have decided on the following plans, subject to the approval of their respective governments:

ARTICLE 1. The contracting governments agree, for the year 1876, neither to coin nor allow to be coined any five-franc pieces, according to conditions determined by Article 3 of the compact of December 23, 1865, excepting for an amount not exceeding the sum of 120,000,000 of francs, fixed by Article 1 of the supplementary compact of January 31, 1874.

ART. 2. The said sum of 120,000,000 francs is distributed as follows:

	Francs.
1. For Belgium	10,800,000
France	54,000,000
Italy	36,000,000
Switzerland	7,200,000

2. As to Greece, which acquiesced in the compact of December 23, 1865, by a manifesto of the 26th of September, 1868, the complement fixed for this government, in proportion to that of the other contracting powers, is fixed at the sum of 3,600,000 francs.

3. Beyond the complement fixed in the paragraph preceding, the Government of Greece is exceptionally authorized to cause to be coined and to put into circulation, on her territory, during the year 1876, a sum of 8,400,000 francs in silver pieces of five francs, said sum being intended to facilitate the withdrawal of the different coins at present circulating, and to substitute for the same five-franc pieces, according to the conditions determined by the compact of 1865.

ART. 3. Are deducted from the complements fixed in the first paragraph of the preceding article the silver coin certificates delivered up to this date, according to the conditions determined by Article 6 of the manifesto of February 5, 1875.

Is likewise deducted from the total sum of 12,000,000 of francs assigned to Greece, by paragraph 2 and 3 of the preceding article, the sum of 2,500,000f. which the Government of Greece had been authorized to cause to be coined in 1876 as equivalent of the silver coin certificates

which the other contracting governments have been allowed to issue against silver bullion.

ART. 4. A new monetary conference will be held at Paris in the month of January, 1877, between the delegates of the contracting governments.

ART. 5. Until after the meeting of the conference referred to in the preceding article, there shall be delivered no silver coin certificates for the year 1877, except for a sum not exceeding the half of the complements fixed by the paragraphs 1 and 2 of the Article 2 of the present manifesto.

ART. 6. The Article 11 of the compact of the 23d December, 1865, in regard to the exchange of correspondence touching monetary facts and documents, is completed by the following arrangement:

The contracting governments will give to each other, mutually, advice of any facts which may reach their knowledge on the subject of adulteration and counterfeiting of their gold and silver coins in the countries belonging or not belonging to the Monetary Union, especially in regard to the processes employed, prosecutions brought, and the suppressions arrived at. They will confer with each other on the measures to be taken in common in order to prevent the adulterations and counterfeits, cause the same to be suppressed in all places where they have been manufactured, and hinder the repetition of the same."

ART. 7. The present manifesto will be in force from the moment that notice thereof shall have been made, in accordance with the special laws of each one of the five governments.

In faith of which the respective delegates have signed the present manifesto, and have thereto placed the seals of their respective States.

Done and five copies made at Paris, 3d February, 1876.

For Switzerland,

KERN,
FEER-HERZOG.

For Belgium,

AD LAINCTELETTE,
BN. DE PITTEURS HIEGARTS.

For France,

DUMAS,
DE SOUBEYRAN,
CH. JAGERSCHMIDT.

For Italy,

C. BARALIS,
RESSMAN.

For Greece,

N. S. DELYANNI.

RENEWAL OF THE LATIN UNION.

By GEORGE WALKER.

[From the Bankers' Magazine for January, 1879.]

The Paris Journal des Debats, of November 18th, contains an article, by Baron Jules de Reinach, on the new treaty which has been agreed upon by the representatives of Belgium, France, Greece, Italy, and Switzerland, by which the so-called Latin Union is continued in existence until the 1st of January, 1886. The conference held at Paris for this purpose closed its eleventh and last session on the 5th of November. The unprecedented number of its sittings indicates that its discussions were more than usually interesting. M. de Reinach describes the conference as differing essentially from that of 1865. The latter was, in a

strict sense, a monetary conference, in which no questions of principle were put forward or debated. Its sole object was to assimilate the coins of several contiguous countries, so as to give them an international circulation and a legal-tender character within the territory of the treaty-making States. The conference of 1878 was of quite another character; it was a politico-economical conference, and the president, who is also one of the presiding officers of the Paris Society of Political Economists, might well have imagined himself at one of the monthly meetings of that body.

The precise nature of these economical discussions can only be conjectured until the publication of the *procés-verbaux*, which will probably not take place till the action of the conference has been submitted to the legislatures of the several contracting states and confirmed by them. M. Léon Say has already brought a bill into the French Chambers to ratify the treaty, but the full particulars of the measure, as reported by him, have not reached us. Meanwhile the article of M. de Reinach may be looked upon as semi-official, in view of the well-known intimacy existing between him and the finance minister and the confidential position which he occupies towards the financial administration of France.

The treaty of 1865 was to expire in January, 1880, provided a year's notice to terminate it was given by one of the signatories; otherwise it was to remain in force for fifteen years longer. Rather than remain bound together for so many years by a convention, the operation of which had essentially changed since it was entered into, the contracting States would have abrogated it altogether. Switzerland, therefore, which more than any other country has been dissatisfied with the treaty since the silver agitation began, acting on her own behalf, and doubtless at the desire of all her associates, gave the notice which was necessary to terminate the Union in January, 1880.

This being done, the question was whether to draw up an entirely new treaty or to amend the old one. M. Leon Say proposed the latter plan, and it was adopted. One of the most important new questions to be considered was as to the steps to be taken to wind up the treaty (*liquider la situation*) when the term of it shall have expired; and another and more immediately pressing one was how to deal with Italy and Greece, States which are under a suspension of specie payments, and to provide against the possible contingency of other States falling into the same difficulty. The treaty of 1865 did not provide for such a state of things, inasmuch as Italy did not suspend till May, 1866, and Greece, which joined the Union in 1868, was then a specie-paying country. As the case now stands, paper money has driven coin out of Italy, and the greater part, both of its full-valued silver five-franc pieces and of its divisionary token money have taken refuge in France, Belgium, and Switzerland. For all beneficial purposes to her associates, Italy would be better out of the union than in it.

The excessive accumulation of silver coin in certain parts of the union, and particularly at the Bank of France, is an evil mainly due to the currency system of Italy. The Italian plenipotentiaries admitted this fact, and declared the determination of their government to relieve the situation by a return to specie payments at the earliest day possible. On the 7th of September, 1878, there were in circulation in Italy paper notes of the denominations of ½, 1, and 2 francs to the amount of 112,000,000 of francs ($22,500,000), and the maximum emission of such notes authorized was 135,000,000 ($27,000,000). The total authorized issue of all denominations of paper money is fixed by royal decree of

February 26, 1876, at 1 milliard ($200,000,000). These are denominated *consortial* notes, and are issued by the six associated banks on the deposit by the government with them of its bonds to that amount. There are, besides, bank notes not so secured, but the latter are not a legal tender.

The Italian Government having declared its willingness to suppress its notes of smaller denominations than 5 francs, the other contracting States have agreed to assist the operation by withdrawing from circulation, and refusing to take at their public treasuries, the silver divisionary coins of Italy. The arrangements for accomplishing these ends were made the subject of article 8 of the treaty, the essential provisions of which will be presently stated. By the treaty of 1865, the amount of divisionary coins permitted to each of the contracting nations was 6 francs a head of their population. By the latest census returns, this allowance gives to Belgium 33,000,000 of francs; to France and Algeria 240,000,000; to Greece 10,500,000; to Italy 170,000,000, and to Switzerland 18,000,000. Italy, however, owing to the loss of her small coins since the suspension of specie payments, has replaced them to such an extent by small notes that the aggregate sum of her divisionary money, coin and notes, now amounts to 270,000,000 of francs, or 100,000,000 in excess of her allotted quota. The whole of this excess is supposed to be in the other countries of the Union, France being understood to have about 87,000,000 and the other States 13,000,000. It will be impossible to drive these small coins back to Italy so long as the other countries continue to give them currency; and, on the other hand, Italy cannot suppress her small notes until she has coins to put in place of them. Article 8 of the treaty, therefore, makes the following provisions:

It should be premised that each of the contracting States has agreed to redeem its divisionary coins, when presented in sums of not less than 100 francs, either in gold money or in silver 5-franc pieces. This obligation is to continue for one year after the termination of the treaty. By article 8 the other States have agreed not to receive Italian divisionary coins after January 1, 1880. France is to gather up these coins and deliver them to Italy, which is to pay cash to the other States for all received from them up to 13,000,000 of francs. The French contingent of 87,000,000 is to be paid—17,000,000 in cash, and the balance in three annual installments—in 1881, 1882, and 1883, with 3 per cent. interest on the deferred payments; all above 100,000,000 is to be paid for in cash. The small notes which Italy engages to retire are not to be reissued. After the resumption of specie payment in Italy, her small coins will be again received by the other powers as heretofore.

Greece has coined silver *drachmas* under the treaty of 1865, and a considerable number of them now circulate in France, Belgium, and Switzerland. They have increased in those countries since legal-tender paper has taken the place of metallic money in Greece. The delegate of the Hellenic Government explained to the Conference that during the last year a loan had been contracted with the National Bank of Greece and the Ionian Bank, by which the privilege of legal-tender had been conceded to their notes so long as the loan remained unpaid. The actual amount of such notes issued is 73,000,000 ($14,600,000), and the maximum authorized 78,000,000 ($15,000,000). The two banks have a specie reserve of about 16,000,000, or more than 20 per cent. Before the suspension of specie payments there were about 45,000,000 of notes in circulation, the lowest denomination being of 10 francs. The Greek Government is very anxious to resume specie payments, and will attempt to accomplish it by a credit operation, but it is not able to enter into any

engagement with the other powers on the subject, nor to fix any date at which resumption can be accomplished.

The gold coins of the several States are to continue, as heretofore, of the denomination of 100, 50, 20, 10, and 5 francs, but the coinage of gold 5-franc pieces remains provisionally suspended. This suspension is owing to the too rapid abrasion of those coins. Experiments made in 1868 showed that gold 20-franc pieces used themselves up in about forty years, 10-franc pieces in twenty years, and 5-franc pieces in eight years.

Both gold and silver 5-franc pieces are to be admitted into the public treasuries of the contracting governments without distinction. The Bank of France and the National Bank of Belgium have come into this arrangement by agreement, during the full term of the treaty, to receive those coins at their counters. Although the legal tender of the larger foreign coins seems not to be explicitly imposed on individuals, they will not hesitate to ratify it in fact, as the action of their respective governments and banks leaves no motives to private persons for refusing them. Token coins (those of less than 5 francs) are declared a legal tender in payments of not more than 50 francs.

The coinage of silver 5-franc pieces is provisionally suspended, and cannot be resumed except by the unanimous consent of the contracting States. This agreement is also made applicable to the year 1879—the last year of the old treaty. An exception has, however, been made in favor of Italy, which is to be allowed to coin 20,000,000 of francs. Though not so expressed in the treaty, it is understood that this contingent is allowed to Italy to enable her to replace her old silver coins with 5-franc pieces. Even if she should elect to buy new silver of Germany for the whole amount, rather than melt down the coins of the Bourbon dynasties, no objection would probably be made, as the quantity of silver pressing upon the market would be thereby measurably reduced.

As already stated, the new treaty is to remain in force from January 1, 1880, to January 1, 1886. If, one year prior to the latter date, no notice shall have been given to dissolve it, it is to be continued thereafter from year to year.

Although no other provisions were made in the treaty respecting legal-tender paper in circulation in Italy and Greece than those under article 8, it was nevertheless agreed to be proper to insert in the *procès verbaux* of the Conference certain declarations on that subject. Belgium, accordingly, declared that, if in future either of the States should establish the *cours forcè*, or should render the consequences of it more onerous to other States by increasing the issues of legal-tender paper, the Belgian Government would admit that the other States might take any measures proper to protect themselves. The Belgian delegate further declared that a State which should be forced to suspend specie payments should not be allowed to recover its liberty of action towards the other States of the Union, even after the treaty had expired, until it had relieved its associates from any burdens which such a state of things might have imposed on them. It is to be hoped that these cautionary declarations will never need to be acted on, and the considerable period fixed for the duration of the treaty will, in all probability, enable the States now under suspension to bring themselves into line, so that its indefinite prolongation may not be imperiled.

Baron de Reinach concludes his article, of which the foregoing is a summary, with the following passage:

"If we now cast our eyes over the labors of the Conference, we cannot but felicitate ourselves on the results arrived at, in view of the different ways in which the monetary question is looked at by the contracting

States. Switzerland and Belgium do not conceal their sympathies for the single gold standard; France is bimetallic; but before pronouncing upon the propriety of continuing the coinage of silver 5-franc pieces, which is, nevertheless, reserved in the treaty, she desires to know the results of the monetary laws recently enacted in America. In this state of things it was necessary, as far as possible, to relieve the present situation, which might become embarrassing by reason of the liquidation which would have to be made at the end of the next year, when the treaty of 1865 would expire. To assist Italy, therefore, to establish her metallic circulation, was not only a proof of sympathy given to that State, but it was also an act of good policy on the part of the other contracting parties. If they had precipitated matters by not renewing the treaty, Italy alone would have profited by it.

"Thus, although there was a difference of opinion between the contracting parties on the theoretical side of the monetary question, the Latin Union has been renewed and consolidated. Both governments and people will, without any doubt, learn with satisfaction that the five nations are to continue to be united by the bond of a common monetary circulation; and it is to be hoped that this union established between them in respect to money will continue to exercise a happy influence on their political and business relations."

It is not the purpose of the present article to make any lengthened comments on the new Latin treaty as it bears upon the United States. It cannot, however, be overlooked, that the clause which suspends the coinage of silver for seven years longer, is likely to have a most important influence on the future monetary system of this country. For the largest part of the decade which is now opening, and which is so full of promise in all its material aspects, we shall be the only silver-coining country of the civilized world. There can be little doubt that this will make us a silver country, almost as absolutely as India and China are silver countries, unless the restrictions imposed by the silver bill of last winter are rigidly adhered to—that is, a coinage limited to two millions a month, with all the resulting profit reserved to the Federal Government. This is not such a double standard as the silver party bargained for, nor is it such a bimetallism as those who favor an international system desire to secure. No party will be satisfied with it, and further legislation, either forward or backward, seems to us, imperatively necessary. If we go forward, and open the mints to free coinage, all our gold will leave us, and we shall elect to become a silver country pure and simple, which is just what Mr. Goschen desires. If we go backward and repeal the silver bill, making silver token-money only, with, perhaps, a large field given to it by a liberal legal-tender clause, we shall force England, Germany, and the Latin Union to face the situation, and to share with us the perils and inconveniences which a scramble for gold will certainly entail. In that scramble the United States would stand a better chance to come out unscathed than any other nation. This is the course recommended by M. Cernuschi, and we incline to think that it promises the earliest and most substantial victory to the bimetallic cause.

From Prof. B. A. Hinsdale
Dec. '95
24

SILVER AND GOLD.

TAX ON OPTIONS AND FUTURES.

SPEECH

OF

HON. J. H. WALKER,

OF MASSACHUSETTS,

IN THE

HOUSE OF REPRESENTATIVES,

WEDNESDAY, JUNE 20, 1894.

SPECULATORS "DISTRIBUTE WEALTH."
CLASSICAL POLITICAL ECONOMISTS.
GOLD HAS NOT APPRECIATED.
SILVER NOT A MEASURE OF VALUE.

PRACTICAL REMEDY FOR SILVER SITUATION.
PARTING OF SILVER AND GOLD.
DEMOCRATIC PARTY AT FAULT.
REPUBLICAN PLATFORM PROPOSED.

WASHINGTON.
1894.

SPEECH

OF

HON. JOSEPH H. WALKER.

The House being in Committee of the Whole on the state of the Union, and having under consideration the bill (H. R. 7007) regulating the sale of certain agricultural products, defining "options" and "futures," and imposing taxes thereon and upon dealers therein—

Mr. WALKER said:

Mr. CHAIRMAN: There is but one excellent feature in this bill. That is to say, the intention of this bill, in that it proposes to prevent wrongdoing, is not to be criticised; but on every other ground this bill is open to criticism.

In the first place, our fathers in their genius and in their wisdom established a nation composed of various States, and they protected with the greatest care the rights of the States. Mr. Chairman, in the development of civilization there arise many conditions which they could not in the nature of the case anticipate, and whenever any new condition demands new legislation, and it can not by any possibility be accomplished by the States, I am in favor of stepping to the very verge of the powers conferred upon the National Government by the Constitution to accomplish a beneficent purpose.

But wherever the States can accomplish an end, as fully and as thoroughly as the United States Government, any interference by the General Government is a trenching upon one of the wisest provisions of the Constitution, that is to say, that "all powers not clearly granted to the General Government are retained by the States." And if there was no other reason, and this law was in every respect proper and desirable, but its objects could be accomplished by the States as well, I certainly would vote against it.

Again, and in objection to this bill, it is not enough that there are evils, to our imagination or to our judgment, to justify a law. It must be shown that the evils it is proposed to remedy overbalance the good. It must be shown that in plucking the tares from the field we do not injure the wheat an hundredfold more than the wheat would be injured if the tares and the wheat grew together until the harvest. This bill, in its very nature, will do incalculable damage to the business interests of this country. Why, I suppose that, if it were possible for us, we would eradicate all damage that rains may do by restricting rain, and with our limited vision we would abolish electricity from the atmosphere because of its objectionable features.

We would abolish all children's diseases by a unanimous vote here and now in the House; but who knows that it would be safe? It seems as though the moment a child was brought into the world all nature struggled to kill it, and that only the strongest and healthiest survive. Is that humane to our narrow vision?

Mr. STOCKDALE. Would not the gentleman's idea be to abolish quarantines, then?

Mr. WALKER. Well, I am talking seriously, and the gentleman must excuse me from trifling. The evils proposed to be reached and eradicated by this law are infinitesimal in proportion to the advantages that are accomplished to every man, woman, and child in the community by the excellent things which this law would suppress in attempting to destroy the bad.

I do not propose to go into and describe all the conditions of this speculative business. There is no occasion for anything further being said upon them than was said so admirably by the gentleman from New York [Mr. WARNER], who, in my judgment, made one of the clearest, most concise, and able speeches that has been made on this floor in this Congress, if, indeed, a more able one has been heard in any Congress upon subjects kindred to this.

WEALTH ACCUMULATES, BUT MEN DO NOT, THEREFORE, DECAY.

I have noticed that every gentleman who is slow and sluggish to accomplish anything in this world is familiar with and will recite to you Æsop's fable of the frog and the snail. I have noticed also that all Socialists, Communists, Nihilists, Bellamists, and Henry Georgists treasure and are ever repeating to you the lines of Goldsmith:

"Ill fares the land, to hastening ills a prey,
Where wealth accumulates and men decay."

They always have that at their tongue's end. Who ever knew men to decay because wealth accumulated? Who ever knew a country to prosper except by the accumulation of wealth? How are men to have more wealth unless it first exists that it may be divided among them?

These lines are all very acceptable in their jingle, but never were statements uttered that were in their import more utterly false and baneful. The gentleman of the Northwest [Mr. BRYAN], the "Robespierre of the Northwest," more than any man I ever before knew in public life, tells us that "speculation is gambling," and that the farmer is injured by the buying and selling of futures, and by all speculating in grain. Mr. Chairman, the average price of September, October, and November wheat in Chicago, for the five years from 1889 to 1893, inclusive, averaged 88¼ cents per bushel.

In the same years the average for May wheat was only 81¼ cents, so that the loss in buying wheat in the fall when the farmers sold their wheat, or would naturally sell it if they were good business men, if it had been carried by them until the next May, there would have been a loss to them of 7 cents a bushel. And this will average to be the case in any series of twenty years.

HOW THE CROPS ARE SOLD.

It is a matter of common knowledge that the farmers throughout this country sell their crops when they mature. I care not in what business it is, as it is a truth as to all business, that if you buy when you need a thing to consume rather than attempt to anticipate in speculation, you will thus average to make a considerable percentage more money. Any business man who has watched business operations for twenty years knows that to be true.

And it is also a fact that the farmers of the country have received in the last five years, for all the wheat that has been carried beyond the 1st of May, 7 cents more than its normal price.

Mr. Chairman, it is impossible to maintain a price level from year to year on agricultural products except by having a large amount of capital devoted to speculation in them. Excepting from the immense bodies of capital that are devoted wholly and exclusively to carrying those products year in and year out, prices would ruin-

ously fluctuate. And yet it is a matter of history that in the average, taking all the men engaged in it and averaging what they make and lose, as was said by the gentleman from New York [Mr. WARNER], they average to lose in a series of years a very considerable percentage of their capital.

Not only are these crops carried for the farmers without interest charges, practically, but they are carried on a loss of capital to those who carry them. Now, if this is a fact, and it is incontestably true—if this is a fact, I say, why should there be any law hindering buying and selling in any form that men may elect to do it in.

Gentlemen, if what I have said to you thus far is true, you must give the opponents of this bill the case here and now; and if it is not true, dispute it now and prove it untrue. Ask me any question, or you may make any statement you choose here and now, if you contest the points I make. Ah, but my friend from the Northwest [Mr. BRYAN] says that "no one has any moral right to affect the prices, either up or down." Moral right to affect prices! No purchase or sale, made before the product is actually needed for consumption, can be made without "affecting the prices, either up or down." His restriction is absolutely uneconomic.

THE SPECULATORS DISTRIBUTE ACCUMULATED WEALTH.

Furthermore, as I have said, these speculators practically distribute accumulated wealth. The laws of the universe hold in the action of man, seemingly erratic though such action may be, seemingly dependent upon the man alone, without other influence, they hold as firmly as they do in geology and chemistry and electricity or anything else. All nature struggles to distribute wealth. "Verily riches take to themselves wings and fly away." In economics the office of the speculator is to distribute accumulated wealth.

I remember a man of my acquaintance who went into Wall street to speculate with $7,000,000 that he had accumulated in business. Five years afterwards he came into my office having on an old pair of rubber shoes and exceedingly poor clothes, with a cloth traveling bag in his hand to sell me machine needles, and he gratefully thanked me for a little purchase I made that he might be able to buy a dinner. I hold that not one man in a hundred who goes into Wall street comes out without there leaving his fortune, and the economic result, whatever may be the moral result, is that that property is finally distributed pro rata among the masses of the people.

In all my business life I have bought before the thing existed even as "raw material" that the man from whom I purchased could buy, and during all my business life in New England, although still in business in Chicago, all my manufacturing in New England, my sales were only once a year, and when that product of a million and a half was sold I did not own $200,000 of it at the time. Of course, I had to insure myself in "futures." You are restricting legitimate business at its very foundation in this bill.

The very foundation and fundamental principle of lowest possible economic production is struck at, because this bill strikes at all the "insurance of business," and keeps the legitimate business man of the community and all the capitalists from engaging in legitimate business. If the principle of this bill were carried out you would shut up the production of consumable wealth to those men only who are actually and personally engaged in production and to only the capital that they themselves own. Why, my friend from the Northwest [Mr. BRYAN] talks about "leaving farmers alone." "Leave my farmers alone!" he exclaims. I would like to ask him who are

"my farmers?" All the famine and pestilence in India is when "farmers are left alone."

No advances on the crops to be gathered anywhere in from two to twelve months can be had, hence comes famine and pestilence in India. Whence famine and pestilence in Ireland, where the population was reduced from 8,000,000 to some over 4,000,000? Because the farmer in Ireland had no speculator to sell "futures" on his crop not yet made, when he was short of funds. Men frequently borrow money on a crop a year ahead of its being gathered. I know, from practical experience before the civil war, that the crop gathered paid debts a year old all through the South.

We sold to Southern merchants before the war on "twelve months" with scarcely an exception, and the merchants took longer "futures" of the planters. My friend of the Northwest [Mr. BRYAN], for he represents no narrow State field, says that "the raising or the lowering of the price of farm products is burglary." This is communism, socialism, almost anarchism, when you reduce it to its last analysis. He does not "want the prices of his farmers' products increased by speculation;" he "wants nothing added to their prices and nothing taken from them by speculation." Then he wants to banish his farmers back to as miserable a condition as the farmers of the world were in two hundred years ago.

HIGHER WAGES, CHEAPER PRODUCTS.

Again, it has been said by one of the sharpest farmers on this floor, judging from what I know of him, that "it costs as much to produce a bushel of wheat, a bushel of corn, or a bushel of oats to-day as it ever cost." Then why your horse-power mowers, rakes, hoes, gang-plows, harvesters, and reapers? Why do you have them, if "it costs just as much as it ever did" to raise your crops? He says it is because they can do more with these machines. Of course they can "do more," and what does that mean? That means higher wages.

I want to say to you, Mr. Chairman, and through you to this committee, that higher wages means immensely improved appliances and they mean cheaper products. Higher wages also mean cheaper land. Higher wages cheapen everything. I know a farm which sold for $3,000 thirty years ago, the one hired man that was needed to work on it receiving $12 a month and board; but that farm is to-day not worth more than $1,200, because the one hired man who is needed upon it gets $20 a month and board, and the difference of $8 between paying $12 a month and $20 a month makes the difference between the former price of that farm and its present price. Will you stop advancing civilization for that reason? Is there any other way given among men that all men can even "tend" to faring alike?

NATURE STRUGGLES TO ENFORCE THE GOLDEN RULE.

I want to say to you again that all nature in economics struggles to make all men obey the golden rule. Whatever may be the motives that actuate the man, whether with wicked hands or with beneficent purpose he touches production, the economic result is practical obedience to the golden rule in helping his fellow to wages. It is beyond all controversy that, except cotton, all other products of the farm and field can be produced for just about half the work in hours that it took to produce them fifty years ago. No man can successfully and truthfully contradict that proposition.

Now, if men receive double or treble in higher wages and cheaper products than they received forty or fifty years ago, then it comes, to this, that that great economic law which commands and controls

us all has given to the man at the bottom all the advantage of these improvements. And will you Democrats change that if you can, you "superexcellent professors" of love for the dear people? We Republicans on this side of the House will not change it; will you? Again, when you raise wheat, or corn, or oats, or hay, for half the former cost you raise horses and beef and pork and sheep for half the former cost, because they are but the secondary products of those other things that can now be produced for half in hours of labor.

Whether you get out of your ground brick from its clay, coal or ore from its mines, or grain, all represent wages and wages only. It may be that it is the generation before that has furnished a fractional part of the wages, it may be the second generation back, but in its last analysis it is all wages without deduction, without subtraction.

VARY THE CROPS.

There is only one chance for higher prices of wheat and cotton than you are now getting, that is that they shall be relatively to all the crops less in amount. There is a bright future for cotton districts, because wheat and corn and oats and hogs and beeves you can raise as well as cotton, but the Northwest must be confined to some new product, sugar, wool, etc., for it can not enter upon your cotton fields.

You gentlemen of the South have been advised by your leaders and statesmen, as I have observed ever since I have read the papers or read the writings of your able leading men before my time, to vary your crops to mixed farming. Do you know that the statistics show that only 2 per cent of the farm mortgages that are foreclosed are foreclosed on those that have a variety of crops, and that 98 per cent of the mortgages foreclosed are foreclosed upon farms devoted to one crop only? In passing let me say that the statistics further show that only 20 per cent of the farm mortgages maturing have been foreclosed in the last year that were foreclosed on an average ten years preceding.

Mr. Chairman, I propose to devote the balance of my time to statistical arguments.

ARGENTINE WHEAT IS TAKING THE PLACE OF OURS.

	Cents.
May 10, its price in Liverpool, June delivery	59.4
In Chicago, June delivery	57
Freight to Liverpool	9.1
	66.1
Chicago price above Liverpool	6.7

Showing that wheat in Chicago was 6.7 cents above its normal Liverpool price. It was put above the normal price only by the speculators investing in it capital which was not the capital of those who handled it as merchants or manufacturers. This simple statement of fact, if I had begun and closed with it, would demand the vote against this bill of every man in this House.

Ah, but I am told by gentlemen here that their constituents want this bill; that the conventions that nominated them and sent them to this House passed resolutions demanding it. I say you nay, gentlemen. I tell you one and all that the man does not sit on this floor whose constituents "want this bill," or whose convention has passed resolutions commanding him to "vote for this bill" in any other than a technical sense. What your constituents demand, gentlemen, are results, and I say for myself—I do not say it for

you—that I should be unworthy of a place upon this floor if, when I found that any legislation would injure my constituents, I did not vote against that legislation, whatever their technical instructions might have been, and explain my action afterwards and reconquer their good opinion in proving to them that the particular measure they demanded would defeat the end they sought.

As I have done once before, I again call attention to glorious Joe McKenna, of California, as we called him here, now Judge McKenna. The convention nominating him passed resolutions for the free coinage of silver, and his constituents were unanimous for it, but he told them he did not believe in it and that he should vote against it. I am not saying whether he was right or wrong on that question; I am merely directing attention to his conscience and honest independence, and I say to you, gentlemen, that our constituents respect us more when we are courageously wrong than when we are timidly, meanly right, and are proud of us when courageously right. Down deep in their souls they can not but have a contempt for us if we would put our hands to anything our conscience disapproves as we are given light to see it.

I prefer to have the respect of one man than of all the world besides. Convince my judgment, and you shall have my vote; failing in that you will not, if everyone of my constituents desires the action you propose. All constituencies demand results; methods they rightly leave to their representatives.

Now, let us look at this matter a little. I tell you, farmers of the United States, it behooves you to consider your position now as you have never done before since our fathers landed on these shores.

EXPORTS OF STAPLES.

By appendix A, which I will print with this speech, you will see the average shipment of 1893 of cattle, corn, cotton, fish, and fruit, as compared with the average five years before, was $55,000,000 less; and in 1893 it was less than in 1892 by $43,500,000; and including mineral oils, crude and manufactured, and dairy products, the shipments were $64,000,000 less than the average of the five previous years, and $46,000,000 less than in 1892.

EXPORTS OF WHEAT.

Now, look at wheat in Appendix B. Why, sir, in the three months of January, February, and March last we shipped 7,500,000 bushels less than we did in the same months in 1893, and the Argentine Republic, Chile, British India, Russia, and minor countries shipped 7,000,000 more.

INCREASE IN FARM PRODUCTS.

Again, look at our increase in all farm productions in Appendix C. We are producing of cotton 144 per cent more than we did in 1873, not in totals—immensely more in totals—but *per capita*. And we are shipping only 55 per cent more. What will you do with the other 90 per cent? These figures I am giving you are *per capita*. We raised of wheat 301 per cent more in 1892 than in 1873, and we shipped only 145 per cent more. What will you do with the other 150 per cent?

Mr. TERRY. Will the gentleman allow me to say that, according to the theory of his party, that would be consumed in the home market?

Mr. WALKER. Not if the Democratic party destroys the home market, my friend. [Laughter and applause.] You let our home market alone and we will take care of the wheat and cotton.

Mr. TERRY. You had your own way in fixing a Republican

tariff; and now, according to your own statement, you have not furnished any home market, and you have not shown——

Mr. WALKER. I decline to yield for anything but a question. The gentleman has made that statement; and let me say that it is about as rational as it would be if when a man had been sentenced to death you should denounce him and his family for their sorrow and undertake to console his family by asking them: "What are you sorrowing about? He has not been hanged yet." That is exactly the position of the gentleman.

Mr. TERRY. Of course it is very proper for the gentleman to answer me, while he does not permit me to argue the question with him.

Mr. WALKER. Never mind; I can not yield for an argument; you do not dispute my facts. Let me say that all the facts which I give in my address to-day are facts of public record obtained from the proper Departments of this Government. I am simply responsible for the conclusions I draw from them and the figuring I have done upon them. The basic facts are incontestable.

THE MARKET FOR GRAINS.

We raised 96 per cent more of corn and shipped only 41 per cent more, leaving 55 per cent increase on our hands. Now the highest export of wheat to Great Britain was 83,000,000 bushels; and in 1892 we shipped only 30,000,000 bushels—53,000,000 bushels less.

Our foreign market for grains is surely being captured by other countries.

Lest I should forget it, I want now to ask the privilege of publishing with my remarks the tables to which I am referring.

The CHAIRMAN. The gentleman from Massachusetts asks unanimous consent to publish certain statements with his remarks. Is there objection? The Chair hears none.

WHEAT, CORN, OATS AND COTTON.

Mr. WALKER. The total crop of wheat, corn, and oats per capita produced in 1873 was 35.6 bushels; and we exported a larger percentage of the crop then than we have done this year. Yet in 1892 it was 51.3 bushels—44 per cent or 15.7 bushels per capita more in 1892 than in 1873. Of cotton we produced 44 pounds per capita in 1873, and 69 pounds in 1892—56.7 per cent. or 25.3 pounds more cotton. Is it not perfectly clear that you must change your cotton crop and produce less proportionately to other crops.

In Appendix D you will see that in 1892 you produced three and a half times more cotton than in 1870 (and I have told you about your exports). We actually imported cotton to the tune of forty-three and a half times as much in 1892 as we did in 1870, the imports being 108,000 bales of 400 pounds each. If this thing keeps on increasing as it has done for the last ten or twelve years a very considerable proportion of the cotton used in the cotton mills of this country will be imported from the cheaper labor countries of India and Egypt. The freight from Liverpool to Boston is not over one-quarter of that from our cotton fields. Most of it comes in for next to nothing as "ballast."

THE PRICE OF WHEAT.

Now let us turn to the wheat fields of the world. It is said that silver is the true measure of prices. It is claimed that the silver question is so inextricably mixed up with prices which are so closely affected by the selling of "futures" that it can not be separated in this discussion. I am, therefore, compelled to deal with silver. Free-coinage advocates claim that it has been proved that silver has not depreciated or changed in price because wheat for all these

years has remained at a uniform price, measuring its price in grains of silver. That is to say, if the money price of silver is given it also gives, unerringly, the price of wheat. If the price of wheat is given one will surely know from that the price of silver, as they have kept together for decades. This theory I propose to thoroughly test by the facts. The prices of wheat in London one hundred years ago, as you will see in Appendix H, were 84.4 per cent more than they are to-day in London. Are the prices to-day to be measured in silver? What were they then? For the fifteen years, from 1846 to 1860, the prices in grains of gold of wheat in London were 51.2 per cent more than they are now; and for the next ten years, from 1861 to 1870, 22.5 per cent more than now.

The price of wheat in London fell 38 per cent in that time in grains of gold, and in grains of silver wheat fell in price only 22 per cent. If, then, silver is the true measure of value, why did not the price fall in silver as much as it did in gold? And if silver has fallen in value 22 per cent as measured by wheat, will some of the free-coinage advocates on this floor tell me why it is not equally proven that gold has fallen 38 per cent? If you can prove by the price of wheat in silver that silver has fallen, why do you exclude gold from being tested by the same standard?

ECONOMIC MAN THE TRUE MEASURE OF PRICE.

The fact is that you are all wrong in using the one or the other as a test. There is only the one available test, Mr. Chairman, and that is the price of "economic man" as shown in his wages. That is the only true test of the real value of any product. What is its aggregate cost in wages is the question. Show me the average wages in the world and I will show you an invariable economic test to apply to every product from one end of the world to the other.

MR. BOISSEVAIN ON PROSPERITY.

In the Brussels convention of November, 1892, Mr. Boissevain, delegate from the Netherlands, spoke as follows:

I do not see that we have cause for rejoicing in any increase of general prosperity which has been exhibited in recent years. On the contrary I think that almost everywhere and almost continuously, in spite of certain periods of reaction, we have had a period of depression of trade and industry.

I have to say to this House that the student of economic science—the careful observer of economic movements and questions for the last fifty years who can make that statement—who does not know that it is untrue, who does not know this world has progressed in that time, tested by any test whatever, more than in the hundred years preceding, his word is not worth regarding anywhere upon such questions.

PRESIDENT ANDREWS ON THE FALL OF PRICES.

Dr. Andrews, president of Brown University, Rhode Island, and delegate of the United States in the same convention, says:

Gentlemen, the thoughtful people of the United States wish to stay that baneful, blighting, deadly fall of prices which for nearly thirty years has infected with miasma the economic life-blood of the whole world. They do not desire to debase the standard of value. They would have every debt paid in gold or its equivalent, but they do not wish gold to be arbitrarily and unjustly appreciated.

What a jaundiced vision is here revealed! "Classical economics," is it? I would like to ask any member on this floor how are the plain people to improve their relative condition? How are the poor to become relatively richer and the rich relatively poorer in this world as they have been doing in the last forty years? Is there any man here who is able to give the answer? I would most respectfully suggest to any person who gives thought to the question that it is

first by higher wages, second by lower prices of products, and third by shorter hours. Is there any man in the sound of my voice who can conceive of any other method? And when they all verge to one point and double the real wages of the worker, measured in grains of gold, is not that a depreciation of gold, if gold is used to pay wages? Is it not a proof conclusive of the depreciation of gold if products are bought in gold, or at the gold measure of value, produced by and the equivalent of double wages in gold? What answer is to be given other than that?

"CLASSICAL POLITICAL ECONOMISTS."

Oh, but these men whose writings and opinions smell of the lamp, and the lamp only—and a mighty offensive lamp at that—who abhor facts, tell us otherwise, do they? Yes; but political economists since the days of and contra to Adam Smith, "classical political economists," have treated with contempt the whole body of the economic history of the world since his day. Adam Smith, because wages had not changed in a hundred years, took the "prices of products" instead of the "prices of man in his wages" for the groundwork of his discussion, and thereby produced incalculable injury to the whole world, because subsequent writers, with one exception, have adhered to his method. Only one man, Prof. George Gunton, had the patience and the wisdom to apply to economics the proper methods, taking wages for a basis and using only absolute facts, following wherever they led and drawing his conclusions by inductive reasoning and on the shortest lines.

Sir Guilford L. Molesworth, the delegate from British India, spoke as follows:

Silver is the standard of value of more than one-half the world; yet silver prices have remained stable, while gold prices have fallen forty or fifty per cent.

I want to say to the House that it is just as easy of mathematical demonstration that gold has depreciated as that silver has depreciated or that the sun shines or water runs or that two and two make four, and I propose to take up that question for a little while, further on in my remarks.

I propose to show you that silver as measured by products has varied more than gold and that it is not a measure of value of any other product, before I get through.

Mr. Allard, delegate from Belgium, spoke again as follows:

The statistics of Mr. Sauerbeck have clearly proved that the allegation of overproduction as a cause of falling prices is absolutely false.

The truth, gentlemen, was told by Mr. Goshen, in England, 1883: "The fall of prices comes from the rise of gold."

OVERPRODUCTION.

What do you think of it in the light of the figures I have given of overproduction in this country? And the same is true of overproduction all over the world, and in this way only can the plain people come into their own. Why, Mr. Chairman, when a drummer starts out with his samples to sell products, what does he offer for sale? The whole body of them offer from one-third more to twice as much of products as will be produced by the world in the next twelve months.

Every drummer offers for sale, not what is produced, but what the utmost limit of the productive capacity of the factory, the farm, and the mill is, and this world to-day, diligently employed, as the United States was employed in 1891 and 1892, can produce in any year as much as can be consumed in any year and a half. Talk to me about no overproduction! The prices are made by the cost of production of economic man. That is the basial line below which,

under normal conditions, prices never go, and supply and demand make the price above that basial minimum line. If that is not true, then nothing is true in economics.

Mr. Sauerbeck says:

The truth, gentleman, was told by Mr. Goschen in 1883. The fall of prices comes from a rise of gold.

Does he? This is the "parrot talk" of affected wisdom to secure ends not warranted by the facts.

GOLD HAS DEPRECIATED.

Let us look at that for a moment. I want to say to this House that in Appendix I it is shown that gold has surely depreciated since 1840, 1860, and 1873, measured by the wages of the world. All silver countries sell their products at gold values as international money. All the prices of their product are surely measured in silver first, then in gold, before they reach the foreign market.

THE PRICE OF THE AVERAGE MAN IN DAY'S WORK.

	In grains of gold.	In grains of silver.
1840	19.14	335
1860	23.20	370
1873	34.16	535
1894	39.12	1,285

This shows that gold has depreciated since 1840 51.1 per cent; since 1860, 40.7 per cent; since 1873, 12.6 per cent. Silver has depreciated since 1840 73.9 per cent; since 1860, 71.2 per cent; since 1873, 57.6 per cent; and if you tell me that silver has not depreciated by any standard you can set up, then I say to you, try gold by precisely the same standard and you must hold that gold has not appreciated.

If you tell me that silver has not depreciated, then gold has not depreciated. You must try them by the same standard. I will try them presently by products.

Furthermore, a day's work in 1840 would buy 335 grains of silver; in 1860 it would buy 370 grains of silver at its commercial price; in 1873 it would buy 535 grains of silver, and in 1894 it would buy 1,285 grains of silver. Of gold, in those same years, it would buy in 1840 19.14 grains; in 1860, 23.2 grains; in 1873, 34.16 grains; in 1894, 39½ grains of gold.

Mr. MARSH. Will the gentleman yield?

Mr. WALKER. Yes, for a question; not for an argument.

Mr. MARSH. Are you referring to labor in this country or throughout the world?

WAGES HAVE INCREASED ALL OVER THE WORLD.

Mr. WALKER. I am using the labor in this country as a basis of my figures, but I want to tell you that while it has increased very much faster in dollars and "grains of gold" in this country, it has increased in England and all over the world just as much "in percentages" as it has here. So that while I use the wages of this country to prove it——

Mr. MARSH. If the gentleman will allow me, I had supposed that the legislation of the last thirty years was designed to increase the price of wages in this country, and that legislation, together with labor unions, had increased wages in this country.

Mr. WALKER. Of course wages have been increased in this country. The gentleman and I believe that a certain thing has

assisted in doing this. The gentleman wishes to take that subject into this discussion. I never yet on this floor discussed two economic questions at once. I propose to address the members of this House, upon the floor of this House, and not the 200,000 men, 500 miles away, who have sent me here. I am here to legislate for this whole country.

Now, the increase since 1840 in the gold actually or potentially received by the men working in the field, the farm, the mine, and everywhere throughout this country, in gold is 103.9 per cent; since 1860, 68.6 per cent; since 1873, 14.5 per cent. It decreased from 1873 to 1877, 7 per cent. It has increased since 1877, 22.6 per cent. Who is the man who will arise in his place and propose to crowd the wageworker back into former conditions?

PRICE OF WHEAT IN PAST SIXTEEN MONTHS.

Now, let us look at the price of wheat for the last sixteen months, shown in Appendix J. In January, 1893, it took 65.4 per cent more grains of silver to buy a bushel of wheat than it did in April, 1894. In April, 1893, it took 57.5 per cent more grains of silver to buy a bushel of wheat than it did in April, 1894. In October, 1893, it took 23.6 per cent more grains of silver to buy a bushel of wheat than in April, 1894.

Now, if that is true, I should like to know what kind of a measure of value you have in wheat for silver or in silver for wheat. You have, all of you, claimed that silver is an unvarying measure of the value of wheat and of all other products, and it has been said all over this country, and especially in the "elsewhere" that we sometimes refer to here—in a parliamentary way—it has been so declared, but no one has taken the pains to prove it.

You men who introduce antioption bills and who talk recklessly about the free coinage of silver, I never knew of any of you taking the pains to prove anything you ever said. I have never heard you undertake to prove the correctness of any proposition you have advanced in the five years that I have been in Congress, and I have never heard arguments made in opposition to your propositions which were not, without exception, buttressed by volumes of economic records.

COTTON.

Take cotton as shown in Appendix K. Cotton sold from 1840 to 1844 for 7.9 cents a pound in New York; in the next five years for 7.8 cents a pound; for the next five years for 10.3; and the next five years for 11.6. In the last two years you have got 10.6 cents per pound in New York; and for five years before that 10.2, all in gold. What could you possibly gain by taking your pay for it in silver. This was in New York. And it does not cost you one-third as much to send your cotton from your farms to New York as it cost you in the thirty years when the country was in a normal condition, before the war of disunion and the suspension of specie payments.

Is silver the true measure of value? What is the proof of it?

WHEAT.

Then again take wheat, as shown in Appendix L. From 1840 to 1844 wheat sold in Chicago at 52.8 cents a bushel; for the next five years at 67 cents a bushel. In the last five years, ending 1891, at 89.2 cents a bushel in Chicago. It cost you 20 cents a bushel to get your wheat from Chicago to Boston in 1862, and in the last year it did not cost you over 5 cents to get it to Boston. It cost you 9 cents to get your wheat from Chicago to Liverpool in 1894; and it cost you three times that amount to get it to Liverpool in the years that I have referred to. See Apendix LL.

CORN.

The course of corn is the same, as shown by Appendix M. The price of corn in Chicago in the five years ending 1844 was 33 cents a bushel, gold. In the five years ending 1849, 33.6 cents. In the ten years ending 1859, 39.8 cents. In the five years ending 1891, gold price, 44.2 cents. It cost the farmer half the price of his corn, from 1840 to 1849, to get it to the city of Chicago. In the last five years it has not cost him over 5 cents a bushel.

There is not a word of truth in what has been talked on the stump and in this House with reference to the relationship of silver to prices of farm products.

NINE AGRICULTURAL STAPLES.

Take the nine most important staples in this country shown in Appendix N, and since 1860 they have only gone down 1.6 per cent in gold prices. I have not the figures for the last two years. It is just as plain as anything can be that they are the culmination of a period of overproduction in the few staples that are cheaper. I will show you a great many of the staples in which the prices are not cheaper, but very much higher in gold prices. In fact, it is very remarkable how very little gold prices have depreciated considering the lessened hours work it now takes to produce "products."

HOGS.

Take the matter of hogs, as shown in Appendix O. They sold in Cincinnati for the ten years from 1840 to 1850, live weight, at $2.90 a hundred pounds; from 1851 to 1860, the next ten years, at $4.87 a hundred. They have sold for the last ten years, ending 1891, at $5.42 a hundred, in gold measure.

"Is silver the true measure of value?" Where is the proof?

BEEF.

Take the matter of beef, live weight, as shown in Appendix P. In Chicago it sold at $3.11 a hundred from 1840 to 1849; from 1849 to 1859 at $3.56 a hundred, and in the ten years from 1882 to 1891 it sold for $4.12 a hundred, and that in gold prices. I will give you silver prices presently.

TOBACCO.

Tobacco, as shown in Appendix Q, sold in the five years (I have not the figures before 1865) from 1865 to 1869, good leaf, in Cincinnati at $11.83 a hundred pounds. In the five years ending 1891 it sold for $17.10, and it is higher to-day than ever known before; and that, too, in gold prices.

How is it possible that "silver is the true measure of value?"

COFFEE.

I will pass over coffee in Appendix R, because there is an export duty on coffee; but coffee sold at 7.3 cents in the ten years from 1840 to 1849, and for the ten years commencing in 1850 at 9.1 cents; and in the last five years it sold for 15.5 cents.

SUGAR.

Well, sugar! I will save the feelings of my Democratic friends by refraining from alluding any further to sugar in Appendix S. We have heard so much of "sugar," or shall have heard before we get through with it, and are so distressed by it. Poor sugar!

I want to say to this House another story that is told by silver advocates is absolutely untrue, viz: That England buys the product of silver countries at prices represented by 15½ to 1 and pays for them in silver at 33 to 1 of gold, saving the difference. It takes just as many grains of silver to buy a bushel of wheat or corn or oats, or a pound of tobacco or tea or coffee or rice in the silver meas-

ure of valuing countries as it takes here or in Liverpool or in any other country subject only to additions or subtractions because of tariffs and export duties, freights, and commissions. The price is the same in grains of silver the world over.

IMPORTS FROM SILVER COUNTRIES.

We import from the silver-measure-of-value countries, as shown by Appendix T, $65,000,000 worth of goods, mostly consumed by farmers. If you should remonetize silver to-day at 16 to 1 of gold, these goods would cost you $130,000,000, because if you should remonetize silver it would make the silver prices just the same as they are to-day, or else all the products of silver countries have got to come down one-half to meet their present gold price here. You can take either horn of the dilemma you like.

Mr. WHEELER of Alabama. Would it not make our products rise in price?

Mr. WALKER. You can make our products "rise in price" just as you can make dough rise by adding to it a batch of yeast.

Mr. WHEELER of Alabama. Would it not make it so that if we bought from them $130,000,000 we could sell to them thousands and millions worth of our products at double price?

Mr. WALKER. Ah! We can issue enough fiat money to-morrow to make all our debts go down to 5 cents on the dollar and our wages go down to 20 cents a day. There is no difficulty about that. It is as easy as it is to lie or steal.

SENATOR TELLER'S TESTIMONY.

Senator TELLER, who came before the Committee on Coinage, Weights, and Measures in 1890 (see Appendix G), and thereby brought himself within the jurisdiction of this court for cross-examination, told us that what the gentleman from Alabama [Mr. WHEELER] wants to accomplish could just as well be accomplished by reducing the weight of the gold dollar by one-third. It would now be by one-half. If you want to scale down your debts, do it in that way; issue your fiat money. Make your products more valuable nominally—of course you can. You can sell your product now for just as many more grains of bullion silver, as my table shows, if you want to; or you can send your silver to the mints of the silver countries and have it coined without passing any law on the subject.

The farmers of this country repudiate the claims made for them on this floor.

They ask for no laws under which they can repudiate half their debts. They have comparatively few debts. Farm mortgages only aggregate $1,000,000,000, maturing one-fifth each year. The annual wage roll is $6,000,000,000.

The farmers do not ask to cause a loss of $2,000,000,000 annually to wage workers that they may repudiate $200,000,000 of debts they honestly owe. They will not consent to rob wage workers of $10 that they may dishonestly gain $1.

Again we export forty millions to those countries, for which they have to pay eighty millions in silver. Of course, this would be sold to the silver-country consumer at half its present price. But of what avail is that to him with the price of his product halved? "Cheapness" has not benefited this country much in the last eighteen months.

[Here the hammer fell.]

Mr. REED. I ask unanimous consent that the time of the gentleman from Massachusetts be extended.

Mr. HATCH. Without limit? I shall object to that. Let the gentleman state how much time he wants.

Mr. WALKER. I will not bore the committee.

Mr. HATCH. There is a long list of gentlemen who desire to speak on this subject, and the House has ordered that debate shall close at the adjournment to-morrow. If the gentleman will indicate just what time he wants——

Mr. REED. Let it be an hour.

Mr. HATCH. I object. That is not fair to other gentlemen on the list.

Mr. REED. The unfairness seems to have been in the arrangement limiting the debate. The gentleman from Pennsylvania [Mr. SIBLEY] spoke three hours yesterday.

Mr. HATCH. The gentleman from Maine is mistaken. Nothing that is done in this House by unanimous consent can be said to be unfair.

Mr. REED. Well, if there is any unfairness in this case it is in limiting the time for general debate. I do not know how we can get this additional time, but I remind the committee that the gentleman from Pennsylvania was allowed to speak three hours yesterday.

The CHAIRMAN (Mr. CLARK of Missouri). The gentleman from Missouri [Mr. HATCH] objects.

Mr. HATCH. Let the gentleman from Massachusetts indicate what time he wants.

Mr. REED. He has indicated an hour and I do not see why he should not have it.

Mr. HATCH. I will not object to that, provided it is charged to that side—to those who are opposed to the bill.

Mr. REED. Of course, it will all be charged to "that side."

The CHAIRMAN. The gentleman from Maine asks unanimous consent that the gentleman from Massachusetts [Mr. WALKER] be allowed to proceed for one hour. Is there objection?

Mr. HATCH. With the understanding that the time is to be charged to the side opposing this bill, I do not object.

The CHAIRMAN. There is no objection, and the gentleman from Massachusetts will proceed.

SEVEN STAPLE PRODUCTS.

The seven items, the difference in price of which I will now give, prove as conclusively as any facts can possibly prove that silver is not the true measure of value. There is only one item where the appreciation or depreciation of price in weight of gold and weight of silver is the same in the whole range of prices for any previous decade, and that only once for the period of ten years from 1840 to 1849, as compared with the five years ending in 1891, namely, each 48.9 per cent. The exhibit is as follows.

WHEAT IN FIFTEEN MONTHS TO MAY 1, 1894.

	Per ct.
From January, 1893, to April, 1894, the gold price fell	24.9
Same period the silver price fell	39.4

COTTON.

In ten years, 1840 to 1850, to 1890 and 1891, the gold price of cotton increased	80
Same period, id silver it increased	78

WHEAT.

In ten years, 1840 to 1849, to the five years of 1887 to 1891, the gold price increased	48.9
Same period, in silver it increased	48.9

CORN.

In twenty years, 1840 to 1859, to the five years of 1887 to 1891, the gold price of corn increased	24.2
Same period, in silver it increased	65

HOGS, LIVE WEIGHT.

In twenty years, from 1841 to 1860, to the ten years of 1882 to 1891, the gold price of hogs, live weight, increased..... 89
Same period, in silver it increased 75

BEEVES, LIVE WEIGHT.

In the twenty years, 1840 to 1859, to the ten years of 1882 to 1891, the gold price of beeves, live weight, increased..... 23
Same period, in silver it increased..... 53

LEAF TOBACCO.

In the five years, 1865 to 1869, the gold price of leaf tobacco increased..... 47
Same period, in silver it increased 97

The price of economic man has not gone down. It has certainly gone up as I have shown. To readjust the proportions of products to each other is the only salvation for those two or three products that are abnormally cheap. With the exception of wheat and cotton, products are higher in gold to-day than their normal price.

Furthermore, if wages have gone up 68.7 per cent in the most important parts of the world, it is a thing inconceivable, in fact a thing impossible, that the price of products should have been reduced, excepting by three things: first, improved machinery; second, improved methods of production; third, increased number of units produced under one management. It is not possible to pay higher wages and still sell goods at a less price, unless the reduction in price is made wholly and exclusively from increased efficiency in production. If there is not an increased efficiency in production the price of the unit of product must go up by exactly the same percentage that wages go up. The only possible means of further progress for each nation is to raise money wages and to raise the price of a day's work on the farm by increased efficiency of the worker, and thus enable its own people to consume all the things that they produce.

WAGES MAKE MARKETS.

I want to impress it upon this House that it is not individuals that make markets. It is wages. If the wages in France could be raised 5 per cent, she would not need to export one dollar's worth of anything unless she chose to do so. In the making of a tariff bill this session we started out to make a tariff with reference to the whole world, but it was found after a while that we could not make a tariff with reference to any country but our own. There is no country but England that makes a tariff with reference to the world at large, and England is in as abnormal a condition in economics as New York would be were she and Kings County set off and made a nation by themselves.

New York would then be in the exact economic condition that England is in, because England produces only a small fraction of the raw products she utilizes. No man ever expresses in this House any regret that the prices of every kind of manufactured products had depreciated; all the complaint is about the depreciation of the prices of agricultural products and of silver bullion.

WORLD'S PRODUCT OF GOLD AND SILVER.

The world's product:	
Value of gold in 1892.....	$137,000,000
Value of silver in 1892.....	133,000,000
Silver in 1892 coinage would make.....	196,000,000

THE PRODUCT OF THE UNITED STATES.

Gold in 1892.....	$33,000,000
Silver in 1892 was 58,000,000 ounces; at 1893 average price, 84.37, was worth	49,000,000

This 58,000,000 ounces silver, lowest price in 1894, 59, was worth $34,500,000
Silver 1892 at coinage value 75,000,000
In 1892 wheat 516,000,000 bushels, at export value, 63. 325,000,000
In 1892 corn 1,681,000,000 bushels, at export value, 45.. 756,000,000
In 1892 oats 595,000,000 bushels and hundreds of millions of dollars in other products.

Why sacrifice hundreds of millions of agricultural products to $34,500,000 silver? Increased efficiency of coin in the last eighty years is the equivalent of increased quantity—from $1,000 to $13,000,000 in the China trade, and from $1,000 to $10,000,000 from New York to St. Louis.

Now, a word about coined money. The coin and paper money needed is all that the people will carry in their pockets and then visible coin to the amount of all that foreign commerce needs. The visible gold per capita in Great Britain is 3.71; in Germany it is 3.72; in this country the visible gold of commerce, to say nothing of silver, is 6.29 per capita. In Great Britain there is $25 in foreign commerce to every dollar of visible gold; in Germany there is $9 of foreign commerce to every dollar of visible gold; in this country there is only $2.9 of foreign commerce to every dollar of visible gold. Either England needs instruction in economic methods of commerce or we do; we can not both be right. Three dollars to 1 seems wasteful when $25 to 1 is all that England needs. This question of coinage is not a question of the greater or less number of silver dollars. If we had free coinage of silver their number would be at once reduced, instead of increased, by shipments abroad.

Mr. WHEELER of Alabama. I understand the gentleman to take the position that legislation against silver has not reduced the value of products?

Mr. WALKER. Legislation against silver has stimulated the production of every article of commerce in every silver country of the world, and those products, coming in competition with ours, have, as a secondary effect, reduced the price of products here. The demonetization of silver of itself has not reduced the price of products by one farthing, excepting in the way indicated. The stimulated production and exportation of competing products in silver-measure-of-value countries, coming in competition with our own products, has affected the price of our products. I think that answers the question completely.

Look at Mexico; look at her abundant coinage! And yet she has only $5 per capita. This is purely a question of what shall be our measure of value; not as to the quantity of money. Give us free coinage to-morrow, and our gold will be a matter of commerce, and the value of our silver dollar in products would be less than half. We would keep here every dollar that our people require for the doing of their business; and that number for which there was no economic demand here would go abroad, just as gold goes from every country where there is no economic demand for it.

OPENING THE MINTS TO FREE SILVER.

If our mints were opened to-morrow for the free coinage of silver, and if the full cost of the coinage was charged to the silver miners, it is a question difficult to answer whether a single silver dollar would be coined in twenty years. Mexico charges 4 per cent for coinage; we charge nothing. Charge 4 per cent for coinage and give us free coinage of silver, and there is not an economist in this country or any other who will say that we would coin silver dollars in any quantity, simply because we now have all the silver dollars

that we can possibly use, and we have substituted paper for four-fifths of that; paper is so much cheaper and better.

An international agreement also would have precisely the same effect. Every ounce of silver or gold is potentially present here and now in this country and in every other country and at every point of commerce, as is every other product subject to the demands of commerce. When you take a sample of wheat or flour or silver or gold in your hand and show it for sale as the representative of one barrel or a million barrels of flour, the flour of the world, like all other things, is potentially present in your hands.

Mr. OGDEN. What would be the use, then, of further coinage of gold?

Mr. WALKER. Not a bit of use in it; and I would oppose as determinedly the coinage of gold if it was proposed to coin it as you do silver. I am opposed to this whole business of forcing the coinage of either gold or silver. Let the people attend to their own coinage business; let us not undertake to force it on them. Our enormous coinage for party politics, not an economic demand, is costing this country to day 67 cents a head in indirect taxation to carry it, when such taxation need not be one farthing. What I say is just as susceptible of mathematical demonstration as that two and two make four.

GOLD COINAGE.

The gold coinage in this country from 1862 to 1879 was $555,000,000, not a dollar of which went into circulation. Every cent of it was simply merchandise. The coinage of a metal does not make it money. The store of gold in this country in 1860 was $314,000,000; in 1880 it was $300,000,000. Every dollar of it was kept here because commerce demanded it. We only lost $14,000,000 during that whole period of twenty years, when not a dollar of gold was used for money. Why? Such was the imperious demand of the trade of this country. Demonetize gold in this country and the case would be the same.

Statistics show that in seventeen years—from 1862 to 1879—there had been accumulated, even in India, $324,000,000 of gold; how much since 1879 I do not know. It is just so in every silver measure-of-value country. Merchants and commerce and manufacturing know no coinage laws or legal-tender laws. These do not have the least real effect. These matters are regulated by the inexorable laws of nature, applied to the movements of man, as thoroughly, as completely, and as everlastingly as to his physical organization.

THE PARTING OF SILVER AND GOLD.

What, then, are the remedies? Now, let me say in reference to this question of demonetizing silver that the calamities which have come to the world because of the parting of silver and gold can not be calculated by any living man. What has it done? It has embarrassed trade between the gold countries of higher civilization and lower silver-measure countries beyond all calculation, hindering trade between this country and Mexico, India, China, and all others. To-day every article of commerce costs in every silver country just double, nominally, what it would have cost had gold and silver been kept together.

It was not our actions that separated them; that was done by the Democratic party in 1834, when, under the lead of Benton, the weight of the gold dollar was reduced 6.19 per cent. The condition of things named has stimulated the products not only of agriculture but of manufacturing in every silver country. In this

way they have been helped somewhat; but its influence in hindering trade is incalculable. It is the simple duty of this country to put forth every particle of its power and influence in all practical and legitimate ways to devise some scheme of again establishing a par of exchange between the silver-measure-of-value countries and the gold-measure-of-value countries, and the making of a parity between the two metals in trade between these different countries.

Universal coinage at 15½ or 16½ to 1 in all the world would have what effect in China and India, Japan and Mexico? It would have precisely the same effect as it would in this country if we should double the gold in our gold dollar. It would have an effect more disastrous than any of us can estimate.

Do we remember the long agony from 1873 to 1879 when we tried and succeeded in bringing our money from 12½ per cent discount up to par? If I had then had the responsibility I would have depreciated the value of our gold-dollar coinage to the value of the French five-franc piece, cutting it down 5 per cent, and have saved the traveling of that long distance and a part of the seven years.

We appreciate our measure of value 12½ per cent. Had we then depreciated it by cutting our gold dollar 5 per cent of its weight, making it equal to the value of the French 5-franc piece, we would have had to travel but 7½ per cent, and probably instead of those weary six or seven years we might have spanned the gulf in from two to four years and done justice more nearly. Every price in these silver countries must be cut in two—of realities as well as of products—or else we must have our prices doubled. They, not we, would suffer most. Their prices will be cut; ours can by no possibilities be so much increased.

Do you know what that means? We raise—I mean, now, the gold countries of the world—80 per cent of all the wheat in the world, and don't you know that the economic law is that the country or persons making the most expensive third of a product "fix the price" for all of it? By Appendix G it will be seen the gold countries raise 80 per cent of the wheat of the world, and it is as true as anything that can not be mathematically demonstrated in this world that they make the price of wheat. I have just proved to you that it is 6.7 higher in Chicago now than the world's price in Liverpool.

THE PRACTICAL REMEDY FOR THE SILVER SITUATION

But, Mr. Chairman, what is the remedy? I will give you the remedy, and the only one that suggests itself to my mind at this time.

The only practical remedy for the silver situation is to embody in the law of all countries the present commercial customs in the use of silver money, in both silver and gold measure countries (except England), as follows, i. e.:

1. All countries that now use silver as the "measure of value metal" to adopt gold as the international and final domestic measure of value at 30 of silver to 1 of gold.
2. Make silver the domestic legal-tender metal.
3. Make silver money redeemable in gold.
4. Withdraw and cancel all silver certificates.
5. Make paper money redeemable in silver.
6. Not to reduce the existing amount of silver coin, and not to increase the ratio of silver to gold for ten years, and as much silver to be bought and coined as can be kept in circulation among the people.
7. England to agree to increase her silver coin by £20,000,000, nominal value.

This arrangement will make the utmost use of silver that is practicable and establish an unvarying "par of exchange" between countries, which is all that has ever yet been accomplished in coinage as between countries.

It does not touch any country now using gold and silver; it only embodies in law the present universal practice of the world, making gold the measure, the ultimate not immediate measure of value in all silver countries making silver the domestic legal tender, the domestic metal, in all countries.

It would not be recognized by our people as making any change whatever. Gold would be immediately paid for all necessary uses without any intervention of silver dollars.

That is the only possible way of securing a par of exchange and not disastrously disturbing the economic conditions of the silver measure of value countries.

Mr. CANNON of Illinois. Will the gentleman permit an interruption?

Mr. WALKER. Certainly.

Mr. CANNON of Illinois. If I understand the last proposition of the gentleman it looks towards an agreement in all countries, except Great Britain, that the ratio should be fixed at 30 of silver to 1 of gold. Now if that agreement can be made, either by way of international agreement, on the one hand, or by each country making that ratio for itself on the other, I do not see why you had not just as well make it 16 or 20 of silver to 1 of gold. It seems to me it would accomplish the same end.

Mr. WALKER. What I have proposed is not to disturb present values by the smallest fraction the world over. Remonetizing at 16½ or 17, or at 15½ or 16, will halve the prices and double the debts of every person in every silver country. That is why I make these suggestions and the only reason why. What I propose is that every country shall keep its own ratio. I would not reduce the ratio by the one-millionth part of a fraction of a cent in the United States.

Why? Why, Mr. Chairman, who knows but that to-morrow we may discover gold mines which will produce gold in such abundance that we will be in the same condition as to gold that we are now in as to silver? I would not vote, I would burn my hand off first, that we should reduce the number of our silver dollars below the number of our gold dollars. My proposition leaves all countries to make their own ratio as between silver and gold, except as to international trade. The only thing necessary is to induce silver measure of value countries to make gold the international measure of value by the law of their respective countries, leaving silver in all those countries at its present commercial ratio, or three points less, in order not to disturb prices anywhere the world over, and not to have the blighting curse on the countries that now use the silver measure of value that visited us between the years 1873 and 1879, only a hundredfold more intense. That is the reason.

Silver to-day is about 33 or 34 to 1. If it is made 30 to 1 in silver countries you overvalue it three points. Then the silver of each country will remain at home. Then if silver appreciates toward gold it makes the silver countries richer and atones to them somewhat for, and restores somewhat also, the losses that we have been allowing to fall on them for the last twenty years in this growing difference between the two metals.

Do I make this clear? I do not want to put a hardship on these poorer nations. I want to take present conditions, embody them into law, and work out of and up from them. And let me say here, Mr. Chairman, that no agreement of governments, no agreement of

international conferences, will affect the situation. Ratify your treaties to-morrow. Nothing will affect it but the convincing the judgment of the mercantile and manufacturing world, and this proposition would commend itself to the judgment of every business man.

Mr. PICKLER. Will the gentleman allow me right there?

Mr. WALKER. Yes; if the gentleman will be short.

Mr. PICKLER. Do you say, then, that products would remain the same as now?

Mr. WALKER. I say it would not affect prices in the smallest fraction immediately, or suddenly, but my judgment is that it would largely increase the use of silver. One-third of the world is using copper, brass, and inferior metals. I believe if we should get at a rational solution of this silver question, silver would go up; and I will touch that point a little later. Silver would go up in value, gradually, to somewhere near the old ratios of the world—would be likely to. That is to say, with the increased mining of gold, and the decreased mining of silver, silver and gold would come nearer together. But you can never bring them together at the old ratio by any violent or sudden movement, without distressing either the gold countries beyond endurance, or the silver countries beyond endurance.

THE DEMOCRATIC PARTY AT FAULT.

We tried this undervaluing of gold in 1792 and lost every dollar of our gold. In 1834 we depreciated the gold dollar 6½ per cent, taking that weight of gold out of it, and then we undervalued silver, and silver all went out of the country. Now, who is most at fault for the present perplexity? Clearly the Democratic party, and the Democratic party almost wholly are to blame. What is the record? I believe that if this country had never passed any laws to force the use of silver, we would have had a rational international agreement on silver long before silver had gone down below the point of 20 to 1.

I believe that the Democrats are almost wholly responsible in this matter. It was the Democratic majority that "fooled" with silver in 1878. On March 24, 1892, this House, by a vote, 130 Democrats voting for, and 81 against, voted for the Bland free coinage bill, and the Republicans voted 11 for it and 67 against it, or a Republican majority of 56 against it. We saved the country from it by 7 majority.

Mr. PENCE. What vote was that?

Mr. WALKER. That was the vote of the Democratic party in this House on a Bland bill for the free coinage of silver. On July 13, 1892, on the Stewart free coinage amendment, there were 23 Democratic majority for it, and 51 Republican majority against it—28 majority against.

Mr. PENCE. As I understand you, on the vote on the Stewart free coinage amendment, you are crediting the Republicans with having defeated it?

Mr. WALKER. By 51 majority, the Democrats having voted for it by 23 majority.

Mr. PENCE. Well, that is right.

Mr. WALKER. On July 1, 1892, in Senate, on Stewart free coinage amendment—

31 Democrats for and 10 against; majority for	21
14 Republicans for and 31 against; majority against	17
Majority for	4

On August 28, 1893, in House, on amendment to bill to repeal the purchase clause of the silver act of July 14, 1890, to substitute the Bland law of 1878—

112 Democrats for and 103 against; majority for	9
15 Republicans for and 110 against; majority against	95
Majority against	86

On October, 28, 1893, in Senate, for free coinage amendment—

23 Democrats for and 21 against; majority for	2
10 Republicans for and 27 against; majority against	17
Majority against	15
Silver has touched 59.4 under Bland law (46 cents in dollars)	$4,353,293
Under law repealed it would have been (100 cents in dollars)	2,673,003
Less each month	1,680,290
In a year	20,163,480

IN FIFTY-THIRD CONGRESS.

On March 1, 1894, in House, on Bland coinage of seigniorage bill—

139 Democrats for and 19 against; majority for	120
10 Populists for and 0 against; majority for	10
19 Republicans for and 80 against; majority against	61
Majority for bill	69

On March 15, 1894, in Senate, on Bland coinage of seigniorage bill—

31 Democrats for and 10 against; majority for	21
3 Populists for and 0 against; majority for	3
12 Republicans for and 23 against; majority against	11
Majority for	13

Mr. PENCE. May I ask the gentleman a question?

Mr. WALKER. How much time have I remaining?

The CHAIRMAN. The gentleman has thirty minutes left?

Mr. WALKER. I can only yield for a moment.

Mr. PENCE. I understand now that your claim is that if it had not been for the votes of the Republicans free coinage might have been accomplished.

Mr. COGSWELL. No; you do not claim that.

Mr. WALKER. I want to say that, in my judgment, if it had not been for the action of the Democratic party in this country we would have had the free coinage of silver here and the world over, if it had been within the limit of possibility. Certainly silver never would have been depreciated to its present condition. [Applause.]

That is my point exactly. It is wholly, in my judgment, because this country has not determinedly and absolutely said to England, Germany, and France, "We are not interested in silver one cent where you are interested a thousand, and that you, not us, must take care of it." If we had taken that position from the first, in 1878, when it was down only to 92 cents, we would have had free coinage of silver if it was possible, and saved this whole silver imbroglio. That is the point I have been making from the beginning up to the present time when silver has touched 59.4.

As I have shown, the Democratic party, by its majority, answered President Cleveland's demand that the purchasing clause of the law

of July 14, 1890, should be repealed by reenacting, as far as their action could do so, the Bland system, and coining every year $20,163,480 more 47-cent silver dollars than we were issuing silver certificates for, under the Sherman bill, with 100 cents worth of silver behind every one of them on the day they were issued.

THE REPUBLICAN POSITION.

The Republicans yield not one whit of preeminence to the Democrats in their determination to secure again the double standard or in their determination to secure the free coinage of silver, if it can possibly be safely done [applause], and not otherwise.

Mr. PENCE. Except by voting for it. [Laughter.]

Mr. WALKER. Except by voting for it! Ah! They refused to vote to defeat it. As the Populists and the Democrats have been voting by immense majorities in this House to defeat it ever since 1878, and they only are responsible.

Mr. PENCE. Will the gentleman allow me——

Mr. WALKER. No; I can not yield any further. This was my position all through the Fifty-first Congress, and I want to say that the clearest-headed free-coinage-of-silver men of that House believed that I was right then, as I believed I was, and in the light of subsequent events I am sure of it. The course of silver has been exactly what I told them it would be if we engaged in their proposed legislation and put this country in the position of taking hold of a battle which was Europe's battle. The man is always "dumped" when he "goes before he is sent," as is any country that goes before it is sent. It was not our fight; but the Democratic party has made it our fight and against the determined protest of the Republican party, and they are responsible for the position of silver; wholly so in this country, as compared with the Republicans.

But the Republicans are determined that this country shall not throw away the advantages of its position to secure party advantage. I ask the Democrats to forget party for once and to unite with us to induce European nations to come up to their highest interests as well as our own on this silver question. Had that been done since 1878, instead of passing the Bland bill, all hope of enacting a bill for the free coinage of silver would not have vanished forever, as I fear it has at the old ratio.

The country owes to the Democratic party the fact that silver has depreciated so disastrously by putting this country in the position of attempting to do alone that which all might do, but that which no one could do alone. We will go to the people on a platform that will permit the utmost liberty for a broad settlement of this question and all others; and I ask the clerk to read what my suggestion of a platform is for the Republican party. No other Republican is responsible for it or ever had a hint of it.

Mr. TRACEY. Has the gentleman from Maine retired?

Mr. WALKER. The gentleman from Maine has retired, and I hold the floor now. [Laughter.]

The clerk read as follows:

PROPOSED REPUBLICAN PLATFORM.

We propose for the platform for 1896 these few sentences:

We hereby declare that each coined or paper dollar, paid to the farmer for his products, to the wage-worker for his labor, and to all others, shall be kept at a parity with every other dollar.

That, as enforced idleness is the most odious and cruel of all taxation, and the right of defense against it, in an opportunity to earn one's daily bread by self-respecting, honest toil, is an inalienable right and fundamental to all other rights and to all progress in civilization, the power and duty of securing a right to work, and of an honest dollar to each citizen, is a duty devolving on the legislative power of the United States in its fiscal legislation.

We hereby call upon every citizen, North, South, East, and West, to rally under the flag of our common country to preserve an honest dollar, and to secure a fair day's pay, for a fair day's work to every citizen, in the American system of protection, as indispensable to the welfare of the farmers and wage-workers of the country, and all other questions being subsidiary to these two.

We hereby relegate the decision of all other questions to the respective Congressional districts in the States.

Mr. PENCE. Will the gentleman permit a question?

Mr. WALKER. No, I can not.

Mr. Chairman, in the fight for State rights and in the intense opposition to the election laws the Democratic party has needlessly wiped them from the statute books. I believe they were mistaken in doing it; but whether mistaken or not, "that issue is laid." It stands now where the issue of the removal of the troops from the South in 1877 by President Hayes stands. Those issues as national issues are dead past resurrection. We will fight the battle, in my judgment, in 1896 on the issues which I have presented here, and by that token we will conquer. [Applause on the Republican side.]

Mr. PENCE. Now the gentleman has time to answer a question.

Mr. WALKER. I have finished my speech.

Mr. PENCE. May I ask the chairman how much time the gentleman from Massachusetts has left?

Mr. WALKER. I have not any. I have yielded the floor.

APPENDIX A.

Farm products and oil—exports of 1893.

[Calendar year.]

	Decrease in value—	
	From average of last five years.	From 1893.
Cattle	$4,103,826	$12,411,472
Corn	3,711,212	14,481,312
Cotton	43,923,855	12,957,535
Fish	1,706,642	1,408,337
Fruit	1,696,016	2,219,418
	55,201,551	43,478,074
Mineral oils:		
Crude	1,670,572	729,503
Manufactured	4,972,834	128,206
Dairy products	2,347,107	1,695,551
	64,192,064	46,031,309

APPENDIX B.

British imports of wheat.

	Three months, 1894.	Three months, 1893.
United States:	*Bushels.*	*Bushels.*
Atlantic ports	6,023,249	10,486,864
Pacific ports	3,196,159	6,299,324
Total from United States	9,219,408	16,786,188
Other countries:		
Chile	782,809	226,065
Argentine Republic	1,206,162	455,997
British India	3,611,210	1,309,102
Russia	5,842,250	3,089,254
Minor countries	897,226	543,896
Total from other countries	12,339,657	5,574,334
Grand total	21,559,065	22,310,522

APPENDIX C.

There was 144 per cent more cotton raised in 1892 than in 1878, and only 55 per cent more exported.

There was 301 per cent more wheat raised in 1892 than in 1878, and only 145 per cent more exported.

There was 96 per cent more corn raised in 1892 than in 1878, and only 41 per cent more exported.

Range of wheat exports by us in fifteen years was as follows:

	Bushels.
Exports of wheat into Great Britain in 1881 were	82,550,000
Exports of wheat into Great Britain in 1891 were	29,820,000
Falling off of 64 per cent or	52,730,000

Per capita product in bushels and pounds.

	1878.	1892.	Increase.
Wheat	6.7	9.4	2.7 or 40 per cent.
Corn	22.4	31.7	9.3 or 41 per cent.
Oats	6.5	10.2	3.7 or 56 per cent.
Total	35.6	51.3	15.7 or 44 per cent.
Cotton	44	69.3	25.3 or 57.7 per cent.

APPENDIX D.

World's supply of cotton in bales of 400 pounds each.

[From "Cotton Movement and Fluctuations," Latham, Alexander & Co., bankers and cotton commission merchants, New York.]

Years.	Crops.			Imports of cotton.
	United States.	Supply of other countries.	Total crop.	
	Bales.	*Bales.*	*Bales.*	*Bales.*
1869–'70	3,431,000	2,113,000	5,544,000	*2,492
1872–'73	4,283,000	2,083,000	6,366,000	11,064
1879–'80	6,556,000	1,894,000	8,450,000	8,869
1884–'85	6,420,000	2,007,000	8,427,000	12,789
1892–'93	8,044,000	2,600,000	10,644,000	106,429

*In 1871.

APPENDIX E.

Statement of Hon. H. M. Teller, Senator from the State of Colorado, Monday, January 27, 1890.

I believe the present fall in prices in this country which have been continuous, as we all know, since 1873, is to be largely attributed to our treatment of the silver question. I am free to say it is not caused by increased production.

Mr. WALKER. Would it not have the same effect you are seeking, that is, the depreciation of the gold dollar, by putting less gold in a dollar? That would raise the prices; that is, nominally.

Mr. TELLER. Certainly; I have not any doubt about that. And if you put more money in circulation it would raise prices probably. I say that silver has not depreciated, because I say that compared with commodities it will buy more commodities to-day than it would fifteen years ago, when it stood at 15½.

Mr. WALKER. Do you believe there ever was a time when the country has grown more rapidly in wealth than in the last five years?

Mr. TELLER. I do not know about that. For five years we have been very prosperous, I admit.

Mr. WALKER. And that during that time the most important advances have been made?

Mr. TELLER. It is true we have had prosperity. I do not deny it.

Mr. WALKER. You spoke of gold not being money enough to do the business of the world. Is not the exchange of money for products of any kind more apparent than real? Is not it a fact that in the exchanges for products it is therefore immaterial what is the standard of value so that it is uniform and continues so? That is to say, if a product is exchanged for a product, and not money or product, is not the use of coin more apparent than real?

Mr. TELLER. Undoubtedly. The great business of the country is not done by payment of money from hand to hand.

Mr. WALKER. It is product for product?

Mr. TELLER. It is virtually product for product, but it is done by the exchange of the monetary system.

APPENDIX G.

Approximate statement of the world's wheat crop in 1892.

[Congressional Record, September 23, 1893, page 1668. Figures furnished by the Secretary of Agriculture.]

Gold countries.	Crop of 1892.	Gold countries.	Crop of 1892.
	Bushels.		*Bushels.*
United States	515,949,000	Spain	*78,395,520
Ontario	29,690,129	Sweden	†4,559,863
Manitoba	14,909,420	Norway	*412,608
Austria	†47,123,526	Switzerland	*3,300,864
Hungary	138,223,680	Turkey in Europe	*24,756,480
Belgium	20,748,362	Asia Minor	*87,134,720
Denmark	*4,538,683	Persia	*18,567,360
France	310,037,795	Algeria	19,398,797
Germany	*100,057,440	Cape Colony	2,813,460
Great Britain and Ireland	62,621,756	Egypt	*8,252,160
Greece	*3,972,500	Australia	37,096,221
Italy	†115,676,431	Syria	*12,378,240
Netherlands	*5,675,000	Argentine Republic and Chile	*47,549,418
Portugal	*6,100,625		
Roumania	*59,828,160	Total	1,734,719,519
Servia	*4,951,296		78 $\frac{7}{10}$ per cent.

Silver countries.	Crop of 1892.	Doubtful countries.	Crop of 1892.
	Bushels.		*Bushels.*
India	203,168,000	Russia	241,578,934
Japan	*13,857,802	Poland	24,440,446
Total	217,025,802	Total	266,019,380
	9 $\frac{7}{10}$ per cent.		12 per cent.

*Unofficial. †Preliminary.

Nations whose mints are open to the free and unlimited coinage of silver:

Mexico. Ecuador. Bolivia. Chile.
Peru. Japan. Columbia.

Those of India and China are now closed.

APPENDIX H.

Price per bushel of wheat, and per ounce of silver, in London.

[Whitaker's Almanac, 1894, and Director of the Mint.]

	Price of wheat.	Price of silver.	Price of of wheat in grains of silver.
1785 to 1789	$2.57	$1.392	886.65
1790 to 1794	2.57	1.364	904.64
1795 to 1799	1.99	1.326	820.38
1800 to 1804	1.50	1.338	526.50
1805 to 1809	1.36	1.311	497.76
1846 to 1850	1.57	1.307	576.19
1851 to 1855	1.69	1.340	605.02
1856 to 1860	1.65	1.350	585.75
1861 to 1865	1.43	1.341	501.93
1866 to 1870	1.66	1.329	599.26
1871 to 1875	1.66	1.294	615.86
1876 to 1880	1.44	1.155	599.04
1881 to 1885	1.21	1.112	521.51
1886 to 1890	.95	.978	466.45
1891 and 1892	.93	.929	480.81

The price of wheat in gold fell 38 per cent from the years 1871 to 1875 to the years 1891 and 1892, and only 20.3 per cent in the price of silver.

The claim is that its price does not fall "in silver."

If this proves that silver has fallen 20.3 per cent, it also proves that gold has fallen 38 per cent.

APPENDIX I.

[Senate Report 1394, Fifty-second Congress, second session, volume 1, page 12.]

Wages in gold.

Year.	Average according to importance.	In grains of gold.	Year.	Average according to importance.	In grains of gold.
1840	82.5	19.14	1866	111.1	25.78
1841	79.9	18.54	1867	121.8	30.00
1842	84.1	19.51	1868	119.1	27.63
1843	83.0	19.26	1869	123.5	28.65
1844	83.2	19.30	1870	136.9	31.76
1845	85.7	19.88	1871	150.3	34.87
1846	89.1	20.67	1872	153.2	35.54
1847	91.3	21.18	1873	147.4	34.16
1848	91.6	21.25	1874	145.9	33.85
1849	90.5	21.00	1875	140.4	32.57
1850	90.9	21.09	1876	134.2	31.98
1851	91.1	21.14	1877	135.4	31.91
1852	91.8	21.30	1878	139.0	32.25
1853	93.2	21.62	1879	139.4	32.33
1854	95.8	22.23	1880	143.0	33.18
1855	97.5	22.62	1881	150.7	34.96
1856	98.0	22.74	1882	152.9	35.47
1857	99.2	23.01	1883	159.2	36.93
1858	97.9	22.71	1884	155.1	35.98
1859	99.7	23.15	1885	155.9	36.17
1860	100.0	23.20	1886	155.8	36.15
1861	100.7	23.36	1887	156.6	36.33
1862	101.2	23.48	1888	157.9	36.63
1863	81.9	19.00	1889	162.9	37.79
1864	86.2	20.00	1890	168.2	39.02
1865	68.7	15.94	1891	168.6	39.12

In 1891 each worker received 104.39 per cent more in grains of gold than he did in 1840; 68.6 per cent more than in 1860; 14.5 per cent more than in 1873.

APPENDIX J.

Average monthly price of silver and wheat, in Chicago.

Months.	Equivalent value of a fine ounce with exchange at par ($4.8665).	Price of wheat, cash, No. 2 spring.	Price of wheat in grains of silver.
1893.			
January	$0.84026	$0.74.5	434.8
February	.84080	.74.8	432.9
March	.83537	.74.1	431.7
April	.83361	.72.5	421.8
May	.83451	.70.0	405.0
June	.81719	.65.2	405.5
July	.72471	.63.8	383.2
August	.74409	.61.1	351.9
September	.74799	.66.9	387.4
October	.73672	.63.4	362.0
November	.70673	.61.0	383.7
December	.70180	.62.0	336.7
1894.			
January	.68743	.62.0	329.8
February	.63941	.58.0	281.9
March	.59814	.58.0	268.5
April	.63138	.60.0	292.8
May	.62921	.....	.....

MINT BUREAU, *June 5, 1894.*

APPENDIX K.

Coin price of cotton: Upland middle, April, in New York.

[Senate Report 1894, Fifty-second Congress, second session, volume 2, page 11.]

Year.	Price.	Price in grains of silver.	Average price for 5 years.	Year.	Price.	Price in grains of silver.	Average price for 5 years.
1840	8.5	31.45		1857	14.5	53.65	
1841	10	37.		1858	11.8	43.66	11.6
1842	7.4	27.38	7.9	1859	12.5	46.25	
1843	5.8	21.46		1860*	11	40.7	11.
1844	7.8	28.86		1880	13	54.47	
1845	6	22.2		1881	10.7	45.75	
1846	7.8	28.86		1882	12.1	51.18	11.6
1847	11.4	42.18	7.8	1883	10.6	45.9	
1848	6.8	25.16		1884	11.5	49.56	
1849	6.9	26.53		1885	11.1	50.06	
1850	12.2	45.14		1886	9.2	44.44	
1851	11.3	41.81		1887	10.6	51.94	10.2
1852	8	29.6	10.3	1888	9.8	50.08	
1853	10.5	38.85		1889	10.2	52.37	
1854	9.5	35.75		1890	11.5	52.78	
1855	9	33.3	11.6	1891	9.8	47.63	10.6
1856	10.4	38.48					

*The production of cotton was so disturbed by the civil war that its price from 1861 to 1879 is of no economic value.

APPENDIX L.

Price of wheat in Chicago.

[Senate report 1394, Fifty-second Congress, second session, volume 2, page 61.]

Year.	Price.	In grains of silver.	Year.	Price.	In grains of silver.
1840	$0.56	207.2	1866	$1.43	529.1
1841	.48	177.6	1867	1.56	577.2
1842	.50	185.0	1868	*1.36	503.2
1843	.50	185.0	1869	*.78	288.6
1844	.60	222.0	1870	*.65	240.5
1845	.78	288.6	1871	1.10	407.0
1846	.50	185.0	1872	*1.07	395.9
1847	.60	222.0	1873	*1.06	392.2
1848	.85	314.5	1874	1.02	387.3
1849	.62	229.4	1875	*.84	168.4
1850	.70	259.0	1876	.97	402.5
1851	.65	240.5	1877	.89	356.0
1852	.60	222.0	1878	.92	383.6
1853	.70	259.0	1879	1.00	428.0
1854	1.12	414.4	1880	1.16	486.0
1855	1.45	536.5	1881	1.01	426.2
1856	1.60	592.0	1882	1.36	575.3
1857	1.20	444.0	1883	1.09	471.9
1858	.70	259.0	1884	.96	413.7
1859	1.31	484.7	1885	.81	365.3
1860	1.15	425.5	1886	.88	400.9
1861	1.05	388.5	1887	.81	396.9
1862	.68	251.6	1888	.81	413.9
1863	.84	310.8	1889	1.01	518.1
1864	.61	225.7	1890	.78	358.0
1865	.78	288.6	1891	1.05	510.8

*No. 2 spring.

APPENDIX LL.

Commercial price of wheat in Chicago, less hauling and freight to Chicago.

[Equivalent to canal rates from Buffalo to Chicago.]

Year.	Price.	Hauling and freight.	Net price to farmer.	Year.	Price.	Hauling and freight.	Net price to farmer.
1862	$0.68	$0.20	$0.48	1877	$0.89	$0.11	$0.78
1863	.84	.19	.65	1878	.92	.08	.84
1864	.61	.18	.43	1879	1.00	.12	.88
1865	.78	.17	.61	1880	1.16	.09	1.07
1866	1.43	.16	1.27	1881	1.01	.07	.94
1867	1.56	.17	1.39	1882	1.36	.08	1.28
1868	1.36	.16	1.20	1883	1.09	.06.5	1.02.5
1869	.78	.16	.62	1884	.96	.05.5	.90.5
1870	.65	.14	.51	1885	.81	.06	.75
1871	1.10	.14	.96	1886	.88	.06.5	.76.5
1872	1.07	.14	1.03	1887	.81	.07	.74
1873	1.06	.13	.93	1888	.81	.04.5	.76.5
1874	1.03	.11	.92	1889	1.01	.05	.96
1875	.84	.11	.73	1890	.78	.04	.74
1876	.97	.10	.87	1891	1.05	.54.5	1.00

APPENDIX M.

Price of corn in Chicago in coin.

[Senate Report 1394, Fifty-second Congress, second session, volume 2, page 9.]

Year.	Price.	In grains of silver.	Year.	Price.	In grains of silver.
1840	$0.38	140.0	1866	$0.30	111.0
1841	.28	103.6	1867	.63	229.4
1842	.27	99.9	1868	.57	210.9
1843	.31	114.7	1869	.37	136.9
1844	.43	159.1	1870	.64	236.8
1845	.35	129.5	1871	.47	173.9
1846	.25	92.5	1872	.34	125.8
1847	.25	92.5	1873	.28	103.6
1848	.30	111.0	1874	.55	206.8
1849	.53	196.1	1875	.60	225.0
1850	.25	92.5	1876	.41	170.1
1851	.28	103.6	1877	.39	156.0
1852	.33	122.1	1878	.41	170.9
1853	.36	113.2	1879	.31	132.6
1854	.43	159.1	1880	.35	146.6
1855	.54	199.8	1881	.38	160.8
1856	.40	148.0	1882	.67	283.4
1857	.36	133.2	1883	.54	283.8
1858	.35	129.5	1884	.53	223.4
1859	.68	251.6	1885	.40	180.4
1860	.43	159.1	1886	.36	170.8
1861	.28	103.6	1887	.38	186.2
1862	.19	70.3	1888	.52	265.7
1863	.36	133.2	1889	.35	179.5
1864	.37	136.9	1890	.20	133.1
1865	.34	125.8	1891	.67	335.6

APPENDIX N.

Average prices of nine staple agricultural products in coin, 1860–1891.

[Senate report 1394, Fifty-second Congress, second session, volume 1, page 110.]

Year.	Price.	In grains of silver.	Year.	Price.	In grains of silver.
1860	100	370.0	1876	91.9	381.4
1861	104.2	385.5	1877	96.5	396.0
1862	172.4	637.8	1878	89.7	374.0
1863	170.3	630.1	1879	91.1	389.9
1864	243.7	901.7	1880	102.9	431.2
1865	97.3	270.0	1881	117.1	494.2
1866	132.5	490.2	1882	120.3	508.8
1867	135.1	499.8	1883	102.0	441.7
1868	129.3	478.4	1884	100.3	434.4
1869	120.9	446.4	1885	97.9	396.4
1870	107.7	398.5	1886	97.5	432.4
1871	115.3	426.6	1887	89.6	429.0
1872	113.7	421.4	1888	98.6	473.3
1873	106.0	392.2	1889	93.5	443.7
1874	123.5	464.4	1890	98.7	490.0
1875	116.8	449.7	1891	98.4	458.2

APPENDIX O.

Price of hogs (live weight), fair to good packing, in Cincinnati, in coin.

[Senate report, 1394, Fifty-second Congress, second session, volume 2, page 27.]

Year.	Price.	In grains of silver.	Year.	Price.	In grains of silver.
1840			1866	$5.60	2,072
1841	$3.40	1,258	1867	5.04	1,864.8
1842	2.00	740	1868	6.04	2,234.8
1843	2.00	740	1869	6.75	2,497.5
1844	2.62	969.4	1870	7.23	2,675.1
1845	3.75	1,387.5	1871	5.74	2,123.8
1846	2.50	925	1872	3.78	1,398.6
1847	4.00	1,480	1873	4.90	1,813
1848	2.75	1,017.5	1874	5.26	1,967.7
1849	2.75	1,017.5	1875	6.96	2,579.6
1850	3.25	1,202.5	1876	7.35	3,050.2
1851	3.50	1,295	1877	4.90	1,960
1852	5.00	1,850	1878	3.70	1,542.9
1853	5.00	1,850	1879	3.80	1,626.4
1854	4.00	1,480	1880	4.45	1,862.5
1855	4.25	1,572.5	1881	5.60	2,363.2
1856	4.60	1,702	1882	6.85	2,897.5
1857	6.25	2,312.5	1883	7.35	3,182.5
1858	4.65	1,720.5	1884	6.50	2,801.5
1859	6.50	2,405	1885	4.35	1,961.6
1860	5.00	1,850	1886	4.25	2,052.7
1861	4.85	1,794.5	1887	5.60	2,744
1862	2.77	1,024.9	1888	5.50	2,810.5
1863	2.55	953.5	1889	4.80	2,462.4
1864	3.38	1,250.6	1890	4.25	1,950.7
1865	6.05	2,238.5	1891	4.75	2,308.5

APPENDIX P.

Price per 100 pounds of meat (beeves, live weight) in Chicago, in coin.

[Senate Report 1394, Fifty-second Congress, second session, volume 2, page 26.]

Year.	Price.	In grains of silver.	Year.	Price.	In grains of silver.
1840	$4.00	1,480.0	1866	$2.89	1,069.3
1841	3.00	1,110.0	1867	3.96	1,465.2
1842	*3.00	1,110.0	1868	3.02	1,117.4
1843	*3.08	1,139.6	1869	3.91	1,446.7
1844	3.00	1,110.0	1870	4.25	1,572.5
1845	*3.50	1,295.0	1871	3.92	1,360.4
1846	*3.00	1,110.0	1872	3.79	1,402.3
1847	2.50	925.0	1873	4.02	1,487.4
1848	3.75	1,387.5	1874	4.28	1,609.2
1849	2.25	832.5	1875	3.92	1,509.2
1850	3.25	1,202.5	1876	3.92	1,626.8
1851	4.00	1,480.0	1877	4.28	1,712.0
1852	3.45	1,276.5	1878	3.92	1,634.6
1853	3.00	1,110.0	1879	4.25	1,519.0
1854	3.75	1,387.5	1880	4.00	1,676.0
1855	3.50	1,295.0	1881	5.00	2,110.0
1856	4.25	1,572.5	1882	6.25	2,643.7
1857	3.87	1,431.9	1883	5.25	2,273.2
1858	2.50	925.0	1884	4.75	2,047.2
1859	4.00	1,480.0	1885	4.25	1,916.7
1860	3.50	1,295.0	1886	3.50	1,690.5
1861	3.25	1,202.5	1887	3.50	1,715.0
1862	2.55	1,431.9	1888	3.70	1,890.7
1863	3.06	1,132.2	1889	3.00	1,539.0
1864	1.97	721.9	1890	3.25	1,401.7
1865	2.75	1,017.5	1891	3.75	1,822.5

* Estimated.

APPENDIX Q.

Price per 100 pounds of tobacco (leaf goods) in Cincinnati in coin.

[Senate report, 1394, Fifty-second Congress, second session, volume 2, page 45.]

Year.	Price.	In grains of silver.	Year.	Price.	In grains of silver.
1865	$11.83	4377.1	1879	$20.00	8560.0
1866	13.00	4810.0	1880	19.00	7961.0
1867	10.00	3700.0	1881	18.50	7807.0
1868	13.00	4810.0	1882	22.50	9517.5
1869	10.00	3700.0	1883	21.00	9093.0
1870	13.00	4800.0	1884	20.50	8835.5
1871	12.00	4440.0	1885	15.50	6990.5
1872	18.00	6660.0	1886	13.00	6279.0
1873	18.25	6752.5	1887	9.00	4410.0
1874	18.00	6763.0	1888	19.00	9709.0
1875	23.00	8755.0	1889	21.00	10773.0
1876	19.00	7885.0	1890	18.00	8202.0
1877	17.00	6800.0	1891	18.50	9011.0
1878	14.25	5942.2			

APPENDIX R.

Price of coffee (Rio, fair) in New York, in coin.

[Senate Report 1394, Fifty-second Congress, second session, Volume 2, page 75.]

Year.	Price.	In grains of silver.	Year.	Price.	In grains of silver.
1840	$0.09	33.3	1866	.12	41.4
1841	.09½	34.2	1867	.12	41.4
1842	.07½	28.6	1868	.07	25.9
1843	.06½	24.0	1869	.07	25.9
1844	.06½	25.0	1870	.08	29.6
1845	.06½	24.0	1871	.10	37.0
1846	.07½	28.6	1872	.13	48.1
1847	.07½	27.7	1873	.15	55.5
1848	.06½	25.1	1874	.20	75.2
1849	.06½	24.0	1875	.14	53.9
1850	.10	37.0	1876	.15	62.2
1851	.10	37.0	1877	.17	68.0
1852	.08½	31.4	1878	.15	63.5
1853	.08½	32.3	1879	.13½	48.8
1854	.09½	36.0	1880	.15	62.8
1855	.10	37.0	1881	.11½	49.5
1856	.10½	38.9	1882	.09½	41.2
1857	.10½	38.9	1883	.09½	40.0
1858	.10½	38.9	1884	.11	47.4
1859	.11	40.7	1885	.08½	40.0
1860	.13½	49.0	1886	.08½	42.2
1861	.12	41.4	1887	.16½	74.7
1862	.19	70.3	1888	.14½	72.8
1863	.21	77.7	1889	.18½	93.5
1864	.20	74.0	1890	.19½	90.6
1865	.10	37.0	1891	.19½	96.9

APPENDIX S.

Price of sugar, crushed and granulated, in coin.

[Senate Report, 1394, Fifty-second Congress, second session, Volume 2, page 114.]

Year.	Price.	In grains of silver.	Year.	Price.	In grains of silver.
1840	$0.11½	42.5	1866	$0.11	40.7
1841	.10½	38.9	1867	.11	40.7
1842	.09	33.3	1868	.12	41.4
1843	.10	37.0	1869	.12	41.4
1844	.11	40.7	1870	.11	40.7
1845	.12	41.4	1871	.11	40.7
1846	.11	40.7	1872	.11	40.7
1847	.10	37.0	1873	.11	40.7
1848	.08½	32.2	1874	.09	33.3
1849	.09	33.3	1875	.09	33.3
1850	.08⅞	32.8	1876	.09	37.3
1851	.08½	32.3	1877	.10	40.0
1852	.07½	27.7	1878	.09	37.5
1853	.08½	30.3	1879	.09½	34.7
1854	.08½	32.3	1880	.09½	39.3
1855	.08	29.6	1881	.09½	39.9
1856	.10½	37.9	1882	.09½	41.2
1857	.13	48.1	1883	.09½	37.3
1858	.11	40.7	1884	.07½	30.7
1859	.10½	38.8	1885	.06 15/16	26.9
1860	.09½	36.0	1886	.06 13/16	30.5
1861	.08	29.6	1887	.06¼	28.1
1862	.08½	31.4	1888	.06½	34.4
1863	.10	37.0	1889	.07½	30.7
1864	.09	33.3	1890	.09 7/16	27.8
1865	.09	33.3	1891	.04½	21.8

APPENDIX T.

Value of importations into the United States and exports from the United States to silver standard countries in 1893.

	Exports.	Imports.
Bolivia	$25,000	$5,000
Central America	2,762,000	6,000
China	3,900,000	206,26,000
Colombia	3,156,000	3,572,000
Ecuador	817,000	900,000
India	3,153,000	25,969,000
Mexico	19,569,000	33,555,000
Peru	637,000	819,000
Russia	2,447,000	6,117,000
Venezuela	4,208,000	3,625,000
Total	40,674,000	65,264,000

O

OPENING ADDRESS

OF

GEN. A. J. WARNER,

PRESIDENT OF THE AMERICAN BIMETALLIC LEAGUE,

DELIVERED BEFORE

THE SILVER CONVENTION,

AT CHICAGO, AUG. 1, 1893.

ADOPTED AS THE ADDRESS OF THE CONVENTION TO THE PEOPLE.

WASHINGTON, D. C.:
GEO. R. GRAY, PRINTER.
1893.

OPENING ADDRESS.

A most extraordinary condition of affairs meets the assembling of this convention. Almost profound peace prevails over the world. The harvests are bountiful; there is enough and to spare; and yet never before in the history of this country has there been such widespread fear and distrust; never before such a loss of confidence and destruction of credit. Industries everywhere are breaking down, and laborers by tens of thousands are thrown workless on the streets with want staring them in the face. Trade is stagnant and business of all kinds is in a state of semi-suspension. Scores of banks, most of them prudently managed, and showing as they close their doors assets which, under ordinary circumstances, would place them above suspicion, are driven into suspension.

There has been a reported shrinkage in the value of stocks in this country since the break in the market of $1,000,000,000, and perhaps twice that in real estate and other holdings, and a ruinous fall in almost all products. Nor is this shrinkage in prices confined to this country. It extends to all gold standard countries and in some parts of the world has been more violent and destructive than in the United States. The shrinkage of stocks in London, since the closing of the mints in India, is estimated at $1,000,000,000. Altogether, the financial situation is unparalleled..

THE SILVER LAW NOT THE CAUSE.

There must be some adequate cause for such a general depression in the financial condition. To attribute this condition of affairs to the present silver purchase law in the United States would be to

magnify a mole hill into a mountain, even if the law were not in itself beneficent. Under this law, since July 14, 1890, about $150,000,000 have been added to our currency. Does anybody believe that the presence now of this $150,000,000 in our currency produces the present money famine or makes money scarce and dear? Would we be better off if this new money should be dropped out of our currency, or if it had never been issued? Besides this $150,000,000, issued under the act of 1890, we have $400,000,000 of silver, or paper representatives of silver, making altogether $550,000,000 of silver coin, silver certificates and coin notes.

The gold standard men have fought this money at every step, as they are now fighting the present silver law. Suppose none of this money had been issued, what would be our condition now? Would it be better than it is? This volume of silver and paper representatives form nearly two-fifths of our entire volume of money. What would be our situation now without it? No, gentlemen, to attribute the present financial condition to the so-called Sherman law implies a state of ignorance that exists, so far as I know, nowhere outside of the banks, the chambers of commerce and boards of trade, that reiterate, *pro forma*, such declarations. If gold has been drawn from the Treasury by presenting coin notes, issued under the act of 1890, the fault has been in the execution of the law and not in the law itself. The bullion has not been coined for the redemption of the notes, as required by the third section of the act, and the Secretaries of the Treasury, by giving the holders of these notes the right to demand gold have made it possible for gold speculators to get gold from the Treasury of the United States easier than from any other source; otherwise this part of our currency has had no more effect to expel gold than bank notes, or for that matter, an equivalent volume of bank credits. The "object lesson," therefore, so far as it was intended to make the Sherman law a scapegoat, has proved a dismal failure. The real "object lesson" is a very different one from that which the gold conspirators intended. It enables us to see the beginning of

the shrinkage in prices that must take place in order to go to a purely gold basis. It is true that the shrinkage necessary to come down to the single gold standard has but just begun, but it is enough to show what must take place if the world's wealth is to be measured by gold alone. It is enough to show, if gold is to be the sole measure, what property must come down to. Five billions will not measure the shrinkage of stocks, nor twice five billions the shrinkage of real estate and other property that must take place before they are brought down to the compass of the single gold standard.

The difference between measuring property by gold and silver together and gold alone will be found to be much greater than most people calculate.

DOUBLING THE DOLLAR.

One thing, however, will not shrink; evidences of debt; they must be paid in the same number of dollars, though the dollars be doubled in value. If the world's wealth be $300,000,000,000 and its debts $100,000,000,000, it is easy to see what doubling the dollar means. It is playing for the world. Double the world's debts and the owners of the debts will own the world—

"The great globe itself,
Yea, all which it inherit."

A DIABOLICAL PLOT.

It is a plot that one would think only fiends could engage in. But evidence is abundant, that no less a scheme of plunder than this was conceived after the close of our war, and the conspiracy was concluded on the close of the Franco-Prussian war. All that was needed to accomplish the spoliation of the world was to change the money standard from gold and silver to gold alone.

HOW THE MONEY STANDARD MAY BE DOUBLED.

The value of the money standard may be doubled, either by doubling the weight of standard coins or by destroying half the metal

out of which coins can be made. While the one method is open and above board, the other is stealthy and deceptive; but the one is as effective as the other. Hence the establishment of the single gold standard is equivalent to putting the value of two dollars into one; it is doubling up the money unit and cutting property down one-half. To do this, and still require the same number of dollars in payment of debts and taxes, is to ordain public robbery and to sanction by law the spoliation of one class by another; and to talk of such a standard as "honest money," or of such a policy as "sound finance," is the rankest hypocricy.

Moreover, such a policy necessarily paralyzes industries, discourages enterprise, renders trade profitless, makes tramps of laborers and creates conditions under which industrial activity and social contentment are impossible. To wantonly produce such a condition is a public crime. But this is the meaning of the movement inaugurated in 1873, and is the condition we are approaching now.

How the United States could be ensnared into such a plot in 1873 can be explained in but one way. The people were taken unawares. In 1873 we were using neither gold nor silver. All debts then existing had been created in an inflated paper currency. No direct step had yet been taken towards a return to specie payment. Gold and silver were the money of the Constitution. Free coinage of both metals had existed from the foundation of the government. The option to pay debts in coin of either metal had always been exercised both by individuals and by the government. Bimetallism is the right to the unlimited use of both metals as money. Wherever this right exists the bimetallic standard prevails, whether both metals are at the same time in use or not. It is, therefore, untruthful to claim, as we now so often hear, that the United States never had a bimetallic standard. The bimetallic standard prevailed continuously from the adoption of the Constitution to 1873, and when the press persistently declares, as it has recently been doing, that we never had any other but the gold standard in the United States, and that

the act of 1873 did not, in fact, change the standard, and that this act was passed after full discussion in both Houses and with the full knowledge of the people, it lies as only a million-tongued press can lie!

The truth is, not forty people out of 40,000,000 in the United States knew of the act at the time. Not a man, it is safe to say, then or now connected with the press, knew of it. A previous bill, reducing the dollar to the weight of the French 5-franc piece, had been somewhat discussed, but the substitute for this bill, which became the act of 1873, passed the House under suspension of the rules, without debate, and without being read. In the Senate there was not one word, either in the explanation of the bill, or in the brief debate that followed, to lead anyone to suspect that it demonetized silver. On the contrary, the explanation of Mr. Sherman on calling up the bill bears evidence of covert intention. Not a member of either House from the great State of Illinois, it is safe to say, knew the bill demonetized silver, and I do not believe a single citizen of this State knew it. Senators from the most important States of the Union did not know it. The Speaker of the House did not know it. The President who signed the bill did not know it. Mr. Kelley, chairman of the Committee on Coinage, Weights and Measures, of the House, did not know it. Of all this and much more we have incontrovertible proof.

Here was an act fraught with consequences more disastrous to human welfare than any in the financial history of the world, literally sneaked through the Congress of the United States; an act that surreptitiously increased all private obligations and well nigh doubled the cost of the war. The rebellion cost dearly enough, but history will not deny that the head of it possessed integrity and was unpurchasable. But the generations to come will never believe that the only man in the Senate of the United States who knew that the mint act of 1873 contained the provisions that demonetized silver, if he knew the meaning of it, was unpurchasable.

THE CRIME OF 1873.

This plot to destroy half the world's money and double the value of all evidences of debt, will be known in history as the crime of 1873. If ever men appear as whited sepulchres they are such who, after perpetrating this crime upon the people of this country, now parade as advocates of "honest money." Let their memories rot in oblivion.

THE PURPOSE OF THE ACT.

The purpose of the act of 1873, in conjunction with steps in other countries having the same object in view, was to demonetize silver metal and, at the same time, reduce existing silver coins to the status of subsidiary money and thus to finally establish, at least for the nations of Europe and for the United States, the single gold standard. This purpose was in part frustrated by the action of the Latin Union states, but chiefly by the act of 1878 restoring the silver dollar to limited coinage and full legal tender in the United States. This law stood as the principal barrier in the Western World against the consummation of the conspiracy of 1873, until repealed by the so-called Sherman law of 1890.

INDIA AND AMERICA THE TWO BULWARKS.

Until a month ago this law in the United States, and open mints in India, stood as double bulwarks against the absolute overthrow of silver and the complete triumph of the gold conspiracy.

There has been no cessation in the assaults upon these two barriers against the full consummation of the gold conspiracy of 1873. The same interests, the same forces, the same conspiracy directed the attacks on free coinage in India and on the Sherman law in the United States. Their object could not be fully achieved without the mints of both countries were closed to silver. It was believed that one could not stand without the other. The action of the American Congress was considered doubtful. The closing of the mints of India was at any time in their power. There was no Congress in India

to act, nobody to consult. An order in council was all that was necessary, and the order of June 26 was made and the London papers announced at the same time that "Of course the effect will be severely felt in the United States and Mexico and wherever silver mines abound; *and the American Congress will be bound to expedite its action in consequence.*"

"The American Congress will be bound!" Who has bound it? The same power that struck the blow in India, the gold clique of London? Will Congress thus be bound? We shall see. At one blow 30 per cent. was added to the debt of India. By a stroke of the pen of the secretary in council for India the silver mines of half the globe were closed, and prices are overturned as if by an earthquake shock. No other country was advised with, no interests were consulted but those to be benefited by the act; if they gained who might lose was of little concern. I refer not to industrial England, which suffers in common with the rest of the world, but to bond-holding, Semitic England.

If the Sherman law is repealed, the last support of silver is removed; the last barrier against the establishment of the single gold standard is broken down.

NECESSARY CONSEQUENCE OF REPEAL.

What will be the consequences, immediate and remote?

Gold is now supplemented in the United States by $550,000,000 of full legal-tender silver on the ratio of sixteen to one, or paper supported, dollar for dollar, by silver coin or silver bullion; in Europe by $1,100,000,000 of full legal-tender coin on the ratio of fifteen and a half to one; and in India by $1,150,000,000 in rupees on the ratio of fifteen to one, If the Sherman law is repealed and all mints are closed to silver, this metal may fall to 50 cents an ounce or less. At 50 cents an ounce the bullion value of an American dollar will be 38 cents, the value of the 5-franc piece 35 cents, and the value of the rupee 16½ cents. Does anybody with

competent understanding of what is involved, believe that this mass of silver money can be retained permanently in circulation as a value currency?

When full-weight coins, legal-tender for 100 cents, can be fabricated for 38 cents, or 5-franc pieces for 35 cents, or rupees for 16½ cents, will they not be fabricated? Rupees are current over nearly all Asia. If they remain full legal-tender they will be struck elsewhere than at Bombay or Calcutta. So with American dollars and 5-franc pieces. It will be impossible to permanently retain this mass of coined silver as an inconvertible value currency. In that form it is little better than so much inconvertible paper on which has been conferred the power of legal tender.

THE FIRST STEP.

The first step will be to limit its legal tender. When this is done it must be made redeemable in gold. The metal might as well then be sold for what it will bring, and only the paper representatives retained. It will be no longer in fact a value currency; and it would be far more economical to use paper for a mere inconvertible currency. Each of the states of the Latin Union by the terms of the compact must redeem in gold its own coin held by the other states of the union. This they would undoubtedly be called upon to do to the ruin of the weaker members.

The repeal of the Sherman law means, therefore, an enormous cutting down of what is now standard or basic money. Can this be done and the present fabric of credit stand? You might as well expect this building to stand with half its foundation taken away.

But confining ourselves for the present to the United States; we have perhaps $450,000,000 of gold, all told, not more; we have of full legal-tender silver, or paper representative, $550,000,000. This is now all standard money. On this foundation of primary money of, say $1,000,000,000, all other forms of currency and our entire fabric of credit now rest.

Let us put this in a form that all can understand. Gold and silver as money of ultimate payment, or redemption money, $1,000,000,000; greenbacks and national bank notes to be redeemed, $500,000,000; bank credits in the form known as deposits (confidence money), $4,500,000,000. In other words, $1,000,000,000 of money to redeem with, and $5,000,000,000 of credit and currency to be redeemed on demand, or five to one. But of this $1,000,000,000 of primary money a large part is held in the hands of the people, and is not available for the redemption of bank credits. Really, only the reserves of the banks are held ready for the redemption of bank credits, which makes the showing far worse; but the point I wish to bring out is the necessary consequence to the volume of credit and to prices of reducing the money of ultimate redemption to gold alone.

Does anybody suppose as large a volume of paper money and bank credits can be maintained on a basis of only $450,000,000 of gold as on a basis of $1,000,000,000 of both gold and silver? It is simply impossible. Credit must be something more than wind. To give credit standing, there must be not only the promise to pay, but the ability to pay when demanded; confidence cannot otherwise exist; hence, there must be some safe relation, some recognized proportion between credit currency or credit devices and the money in which they are redeemable.

While one to four or five, may be safe, it does not follow that one to eight or ten is also safe. Hence, nothing is plainer than that, if the basis of our credit fabric is reduced to gold alone, the credit fabric itself must be enormously reduced with consequences to prices and business better imagined than described.

The claim so often reiterated that 95 per cent. of the business of this country is done by means of credit devices, and, therefore, that little importance attaches to the quantity of actual money, is a mischievous error. The above figures compass the entire volume of money and credit by which all cash transactions are

performed. None are performed but by one or the other of these agencies—either by actual money or confidence money, in the form of bank credits, drawn upon by checks or drafts. The relative proportion of legal-tender money and bank credits is as $1,500,000,000 to $4,500,000,000, or four to one; but the proportion of reserves to bank credits is, on the average, nearer six or seven to one; and this is what, in modern parlance, is called "sound currency." If the efficiency, dollar for dollar, of money and bank credits, were equal the proportion of work performed by each would be as four to one, but the one form is the same from day to day and year to year, the other exists to-day and is extinguished to-morrow. The efficiency, therefore, of a dollar of actual money is probably two or three times that of bank credits, and in times like these, four or five times. And right here this whole contest centers. Shall silver be given up and the volume of standard money be reduced one-half and its place supplied by credit or confidence money? Shall it be more credit and less actual money or more money and less credit? The "object lessons" which are now afforded us ought, it would seem, to settle that question.

SCRAMBLE FOR GOLD.

Moreover, a new scramble for gold must follow the loss of silver; gold has not yet been made a legal tender in India; but the purpose is announced to finally set up the gold standard there. Austria requires yet $100,000,000 more of gold to carry out her scheme of gold redemption. Some of the states of the Latin Union must have more to redeem silver coins held by other states. The United States must have more to maintain a purely gold standard. A veritable "monetary warfare" must set in, in which the "brigands may thrive but the people will perish."

The condition that confronts us is the most perilous in our whole history. We are on the brink; the abyss is next. Do the gold conspirators think this scheme of spoliation can be peaceably forced upon the American people? Gladstone expressed the interest of

Great Britain in this movement, in his speech in Parliament, when he admitted that England held $10,000,000,000 or more of the debts of other countries, and that the dearer gold became, the more they would receive when the debt was paid or the interest on the debt received.

But what shall be said of the people of the United States, debtors to other countries to the extent of $3,000,000,000 or more, with annual interest of $150,000,000, hurrying to destroy a metal recognized as one of the money metals of the world for thousands of years, in order to increase the value of the other in which their debts must be paid?

If the Sherman law is unconditionally repealed, it is the end of bimetallism. It is the end, too, of automatic regulation of money; it is the abandonment of the principle of regulation that has stood the test of centuries of time. Do they know what they do, when they destroy this principle? Where will rest the equity of contracts then?

I warn those who are forcing this condition upon us, that they are preparing the way for a reign of fiat money. Gold cannot be produced in quantities sufficient to maintain stability of prices and the equities of contracts; it does not exist, and, therefore, with gold alone automatic adjustment of money supply to needs for money is quite impossible. With gold and silver, a supply for a long period, at least, may be relied upon. Nor was there ever too much gold and silver, not can there be. Should the production of these metals, for a time, so increase as to make money plentiful enough to raise prices, the point is soon reached when a dollar can be obtained easier by producing commodities than by mining the metals, and production is checked; this is automatic regulation.

All history shows that prosperity accompanies an abundance of gold and silver money; that industry is quickened, enterprise stimulated, production encouraged, wealth increased and civilization advanced; while, on the other hand, depression of business, hard

times, bankruptcies, want and misery, have ever been the consequences of an insufficient money supply. Our whole trouble to-day comes from the appreciation of gold; not from a fall in silver. It is from attempting to put the value of two dollars into one.

An ounce of silver, even since the closing of the mints of India, will exchange for as much wheat or cotton, or of any other of the great staples, as it would twenty years ago; but with a demand for gold to everywhere take the place of silver as money of ultimate payment gold will rise faster than ever. At the same time its production, with the closing of the silver mines, will be greatly reduced. The arts will consume the entire annual production and more. This is the feast to which we are invited; no new gold for money and a double demand for what there is to take the place of silver!!

It is preposterous to suppose the vacuum can be filled by bank credits. To set up a gold standard without any gold for currency, and create bank credits to take the place of silver, is to give us the shadow for the substance. All such notions are idle dreams. Others tell us to repeal the Sherman law and restore confidence, and we can borrow capital from England.

Senator Stewart states the issue exactly when he says it is a question between coining our own money from gold and silver dug from our mountains and borrowing it from Great Britain.

And when we borrow, what do we get, gold, no, what then? Capital, they tell us; in what form? If goods, let us produce them at home. Others say it is credit we borrow, and credit is capital. If that is all we need, cannot the United States create credit as well as England? Cannot our banks create it as well as English banks?

The real truth is, we owe too much abroad now, and all we really get when we borrow from abroad is release for the time being from paying the interest on what we owe. It amounts to giving a new note for what we are not ready to pay, and nothing more. The continuance of this policy long enough will make us vassals of Great Britain. Let us declare our independence and coin our own

money from gold and silver from our mines. There must be an end to this borrowing some time, and the sooner the better. I say the idea that if we were on a gold basis, bank credits would supply the place of silver is preposterous. We have a foretaste now of this system. What would be our fate if a few hundred men controlled all the gold in the country, as would be the case practically, and also had it in their power to make or destroy, to create or extinguish credit? It is startling to think such a system possible. Yet this is what is called "sound currency." A gold standard with gold certain to increase at an accelerated rate is a dangerous experiment in any aspect of it, but it becomes alarming when considered as the sole basis of credit. Under such conditions prosperity would be impossible. A temporary credit bubble might be blown, but a chronic condition of falling prices will certainly follow an increasing money standard.

Industries cannot thrive under such a system, and with loss of production, labor will find less constant employment and wages must come down. The issue turns on the establishment of the single gold standard. All other questions sink into insignificance compared with this. The present order of civilization is involved in it, and the life and death of free institutions. In no way can a people be deprived of their liberties so surely as to first impoverish them. No people, not already slaves, will submit to such wrongs.

Are those who are attempting to foist this system on the people of this country so insane as to suppose it can be done with impunity and without resentment?

England may force such a system upon her dependencies, but the people of the United States will never submit to have inflicted upon them an Egyptian or an Indian system of spoliation.

The descendants of the race that overthrew the political domination of a foreign power will not submit to the financial domination of aliens of any race or nation. We did not wade through the slaughter of battle fields to destroy black slavery in this country in

order to implant on the same soil a more galling servitude for our own children.

I say they are insane who think the people of this country will peaceably submit to the confiscation that must follow the establishment of the single gold standard, and I go further and charge that those who seek to accomplish this purpose are the real anarchists of to-day, for they destroy the conditions necessary for the continuance of civilization and the existence of peaceful society.

Gentlemen, this is a world-wide struggle. The gold combination extends through many countries; it has unlimited means. It controls nearly all the great dailies of the large cities. The press that was once the bulwark of the rights of the people is so no longer. It is in the hands of the enemy and has been turned against the people. It is as though our arsenals and ships of war had been taken possession of and their guns turned against our own people! The owners employ editorial writers as attorneys to write what they are paid to write. The prostitution of editorial intellect in recent years has become a disgrace to humanity.

The pen most skillful to pervert the truth, to mislead, and to lie, is most in demand in this service. Such men, if they had lived in the days of the revolution, for pay, would have slandered Washington's army and extolled the political policy of Great Britain, as now they slander everything American and extol everything that is British or Semitic in finance.

This contest is therefore a life and death struggle, but if this country is to remain the land of the free and home of the brave—if it is to remain a country where government by the people and for the people is to continue—we must win, and we will win! The compromise we offer, therefore, is to repeal both the Sherman laws, that of 1873 and that of 1890, in the same act, and restore to the people the money of the Constitution, as it existed prior to 1873.

Let us have American money coined at home and not by power from abroad.

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ON THE USE OF SILVER AS MONEY IN THE UNITED STATES

A DISSERTATION PRESENTED TO THE BOARD OF UNIVERSITY STUDIES
OF THE JOHNS HOPKINS UNIVERSITY FOR THE
DEGREE OF DOCTOR OF PHILOSOPHY

BY

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ON THE USE OF SILVER AS MONEY IN THE UNITED STATES.

AN HISTORICAL STUDY

BY

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A PAPER SUBMITTED TO THE AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE.

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ON THE USE OF SILVER AS MONEY IN THE UNITED STATES.

INTRODUCTION.

The history of monetary experiences cannot be too often considered. This consideration is particularly applicable at the present time to silver in its relation to American coin currency. Until quite recently silver has been but little used by the people of the United States as money. Indeed, it is still practically true that it is only used for change, as no large bills are issued on the silver reserve. Under existing law, however, the government is obliged to purchase an amount of silver nearly, if not quite, equal to the product of American mines. A new experiment is thus being tried, the result of which it is exceedingly difficult to predict with definiteness. An historical study is therefore timely.

The silver question, moreover, is "in politics." It has even come to occupy a most prominent position, and there has been developed not only a keen public interest in the philosophy of the bimetallic controversy, of which the silver question in the United States is but a phase, but a strong desire for accurate knowledge regarding the history of our currency.

The free coinage party are practically urging still another experiment. In considering it and the future currency policy of the country, and of the world, too frequent reference cannot be made to the results of the several experiments in currency legislation which former Congresses have undertaken. History may afford some light to guide us in selecting or in avoiding certain courses of action.

The subject has been treated by many writers in recent

times, either in special treatises,* or in the systematic text-books on political economy, particularly those by Andrews, Ely, and Walker. Three international conferences have been held in the vain hope of securing concerted action by the principal commercial nations. The question has been made the subject of investigation by Congressional and by Royal Commission. Yet, in spite of books and reports, of investigations, prize contests, and the rest, widespread ignorance remains regarding the prominent and fundamentally important facts in the history of the use made of silver as money by the people of the United States; the laws which have been passed; the conditions which gave rise to these statutes; and the effect of the various enactments on the circulation of coin throughout the community.

Materials for original study are to be found in the statutes themselves and in the reports of the Congressional debates connected with their enactment, in reports to Congress, in petitions, and in current financial literature. The reports of the Silver Commission of 1876 and of the International Monetary Conferences of 1867, 1878, and 1881 are replete alike with information and with argument concerning the relative merits of gold and silver for use either separately or conjointly as money. Abstract discussion of the advantages or the dangers of "bimetallism" is not attempted here: it is the aim of the writer to show the actual use made of silver as money during the century, by the people of the United States, and to explain the reasons for that use, in the hope of correcting false ideas and disseminating a knowledge of the necessary conditions of bimetallism.

* Sumner, "History of American Currency" (1874); Cernuschi, "Nomisma, or Legal Tender" (1877); Linderman, "Money and Legal Tender in the United States" (1877) Weston, "The Silver Question" (1878); Walker, "Money" (1878), and "Money, Trade and Industry" (1879); Bolles, "Financial History of the United States," 3 vols. (1879-1886); Knox, "United States Notes" (1884) (third edition 1888); Upton, "Money in Politics" (1884); Laughlin, "History of Bimetallism in the United States" (1886); Nicholson, "Money and Monetary Problems" (1888); S. Dana Horton, "Silver in Europe" (1890); Boissevain, "The Monetary Question" (1891); Cowperthwait, "Money, Silver and Finance" (1892); Ehrich, "The Silver Question" (1892); Taussig, "The Silver Situation in the United States" (1892).

EARLY HISTORY OF THE MINT.

In 1783 Robert Morris presented to the "United States, in Congress Assembled," a specimen American coin. Our national coinage may be said to date from the making of this coin.

For several years the matter had been under discussion and had been made the subject of special reports; but Congress repeatedly postponed definite action. The report of a special committee created in 1784, of which Jefferson was a member, outlined a plan, based on the report of the Superintendent of Finance. On July 6, 1785, and August 8, 1786, more definite regulations were made in anticipation of the creation of a national currency, and finally, on October 16, 1786, there was enacted "An Ordinance for the establishment of the Mint of the United States of America and for regulating the value and alloy of coin," and provision was made for the employment of proper officers and workmen in the Mint. This plan, however, was never carried into execution, as matters of greater importance occupied the government and the people of the United States. It was not until after the adoption of the Constitution that the Mint was established, and it was practically a generation and a half before a national coin currency came into general use.

In the practical administration of affairs it is often an imperative necessity that, with or without the aid of legislation, the kind of money to be received by the government in payment of taxes, dues, etc., shall be determined. When income does not equal expenditure, it becomes necessary for a government to borrow money. During the Revolutionary War the Congress of the United States had authorized the executive officers to borrow dollars. But what is a "dollar?" No one is disposed to ask this question when the currents of industry, trade and commerce are flowing smoothly. It is only in periods of sudden change and uncertain credit, or of legislative interference with the representative of the money of account, that doubt arises. In the years following the

adoption of the Constitution the matter became one of serious difficulty, requiring for its resolution the careful and disinterested consideration of the statesmen of the period.

In a certain sense it is entirely in the power of Congress to determine what shall be considered a dollar—what shall be the monetary unit of the country. Every industrially developed community must have a money of account. It is at once the evidence and the basis of commercial progress. It is the condition of trade on a large scale. But the political power in the State, the statutory law, determines what shall be the material representative and coin equivalent of the unit of account, as well as what shall be legal tender in payment promises of to pay money and in settlement of obligations. By the Constitution of the United States (Article I., Section 10) the States are forbidden to "coin money; emit bills of credit; make anything but gold and silver coin a tender in payment of debts." And by Article I., Section 8, clause 5, Congress is given power "to coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures." This power Congress has repeatedly exercised.

When, under the Articles of the Confederation, Congress instructed the Superintendent of Finance to report a table of rates at which the different species of foreign coins, most likely to circulate within the United States, should be received at the Treasury, Morris insisted, by way of reply, that "In the present moment [1782] it is by no means of such consequence to establish the relative value of different coins, as to provide a standard of our own by which in future to estimate them." His report* was devoted to an exposition of the dangers and disadvantages threatening the existing currency and to the presentation of a plan for improving it. He argued that a uniform currency was necessary to industrial security and development. Coins of every description—Spanish and English coins, coins of France and coins of Portugal—coins of various values and

* Diplomatic Correspondence, Vol. XII., p. 81

of varying value—all were current in different parts of the country. The pound was the money of account, but most diverse ideas prevailed regarding pounds, shillings, and pence. The want of small coin for the common occasions of trade; the need of a legal tender to protect both the honest debtor and the honest creditor; the disappearance of the depreciated medium, the Continental currency, with its infinite inconvenience and danger;—all argued the wisdom of adopting an American coinage system and of establishing a government mint. The time appeared opportune. There was a sufficient supply of specie in the country: it needed only to be recoined into American coins, and this could be done in a very short time. Above all, the public credit, which was almost completely broken, would be greatly strengthened. In the mind of the Superintendent, or of his Assistant, Gouverneur Morris, who is probably the author of the report, in the main, the opportunity imposed the duty. Still, for a decade, Congress took no action.

The conclusive argument, the compelling cause, which finally brought partial order out of monetary chaos, was indicated by Hamilton in his report on the "Establishment of a Mint," January 28, 1791. "The dollar originally contemplated in the money transactions of this country," says the report, "by successive diminutions of its weight and fineness, has sustained a depreciation of five per cent. . . . The value of property . . . fluctuates with the fluctuations of a foreign mint." Manifestly there was neither security, convenience, nor economy in dependence upon a foreign mint. Depreciation and debasement of our money by acts of a distant sovereign were not to be tolerated. The Second Congress, by the Act of 1792, attempted to provide the means for securing a uniform, convenient, and intelligible system of national coins.

Perhaps the most important feature of the act establishing the mint was the provision authorizing the free coinage of both gold and silver. Both metals were to be coined gratuitously

for all comers, in the order of arrival. The legal step tending toward bimetallism was taken in this first act regulating the currency. The silver dollar or unit was "to be of the value of a Spanish milled dollar" as the same was then current, "and to contain," continues the statute, "three hundred and seventy-one grains and four-sixteenths parts of a grain of pure, or four hundred and sixteen grains of standard silver."* This unit for silver coins was not that proposed by Morris—one-quarter of a grain of pure silver, with 1440 to the dollar—which Jefferson had characterized as too minute for ordinary use and too laborious for computation. It was not the unit urged by Jefferson himself, who desired a single unit both for weight and for money. It was not entirely the dollar suggested by Hamilton. The pure metal contained, 371¼ grains, was in accordance with his proposition, and it is interesting, though perhaps not important, to note that no change has since been made in the weight of pure metal in silver dollars except for the small number of trade-dollars coined in the seventies. The gross weight, 416 grains, was that of an average lot of Spanish coins bearing the date 1761, but then no longer current.

The principles and proposals of Hamilton concerning gold coins were adopted entire. The gold coins were spoken of as *units* or *dollars*. "A preference," he says, "ought to be given to neither of the metals, gold or silver." He was of the opinion that the money unit had virtually been gold rather than silver, silver dollars having circulated by tale as a mere money of convenience, without much regard to either weight or fineness; but he presented what seemed to him strong reasons for endeavoring to make permanent the concurrent circulation of both kinds of money. Both alike were required for home and for foreign trade.

* This most peculiar proportion was not actually adopted by the mint authorities until 1796, after Congress had repeatedly refused to modify it, and the Director of the Mint was unwilling longer to disobey the statute. Why this inconvenient standard, $\frac{1488}{1663}$, was first adopted and then forced on the mint, it now seems impossible to determine.

"If gold be most convenient," he said, "in large payments, silver is best adapted to the more minute and ordinary circulation. . . . To annul the use of either of the metals as money is to abridge the quantity of circulating medium, and is liable to all the objections which arise from a comparison of the benefits of a full, with the evils of a scanty, circulation."

Hamilton was a practical bimetallist. He aimed to secure the concurrent circulation of the two metals for commercial convenience. To-day "free coinage" is demanded on the score of justice as between debtor and creditor. The concurrent circulation of the two kinds of coins proposed is at least a matter of doubt; it might or it might not result, by raising the price of silver to $1.29 per ounce, as is predicted.

Bimetallism is to be defined either as a state of the law or a state of the currency. If the latter is accepted as the most satisfactory definition of the term, the state of the law must be regarded as merely the means to the end, and practical bimetallists—those who seek the end—may and will differ as to the law which will prove most efficacious under any existing circumstances. Mr. Bland asserts, and some, perhaps all, of the men who act with him honestly believe, that concurrent circulation would result from a law allowing the free coinage of both metals at the old ratio of 16 to 1. Hamilton, a century since, in considering the state of the currency, believed that the two kinds of coins would circulate only if made at the ratio of 15 to 1. He fully appreciated the difficulties of successfully carrying out the policy of bimetallism, and the necessary consequence which would follow any considerable underrating of either metal—"banishment of that which is undervalued; . . . diminution of the total quantity of specie which a country would naturally possess; . . . greater and more frequent disturbance of the state of the money unit." He therefore urged that care be taken to regulate the proportion of pure metal in the two varieties of coin, "with an eye to their average commercial value."

Hamilton, placing this market ratio at very near 15 to 1, and believing that this ratio would be permanent, proposed (1) gold coins, with 24¾ grains, and (2) silver coins, with 371¼ grains of pure metal to the dollar,—

"The alloy in each case to be one-twelfth of the total weight, which will make the unit 27 grains of standard gold, and 405 grains of standard silver. The former," he continues, "is exactly agreeable to the present value of gold, and the latter is within a small fraction of the mean of the two last emissions of [Spanish] dollars—the only ones which are now found in common circulation."

The questions before Congress, as enumerated by Hamilton in this report, were the following:

1. As to the nature of the money unit
2. As to the proportion between gold and silver, if coins of both metals were to be established
3. The amount and composition of the alloy
4. The amount of seigniorage
5. The number, denomination, sizes and devices of the coins
6. The currency of foreign coins.

The answer which Hamilton gave to the first and second of these questions was simply, That the law should recognize and endeavor to make permanent the conditions of the currency existing at the time so far as the unit and the concurrent circulation of both gold and silver coins were concerned, and should establish and preserve a standard dollar by the substitution of national coins for a miscellaneous lot of semi-international coins with constantly changing values.

These principles were practically those presented by Jefferson in his letter of 1784. In the time intervening after that report was written Jefferson had studied with care the practical features of the art of coining as practiced in Europe, and had acquainted himself with workers in metal and the possibilities of securing officials for the Mint. When the Mint was established, in 1792, it was placed under his charge in the Department of State. We may conclude

then that, while the outline of our system of currency was determined by the conditions of colonial trade, its distinguishing characteristics may be ascribed in about equal measure to the influence of these three men—Morris, Jefferson and Hamilton.

In the discussion regarding the Mint and the currency during this early period one seeks in vain for any evidence of a bimetallic controversy like that of recent times. As a state of the currency in every way desirable and convenient, *bimetallism was an acknowledged fact.* It was accepted not only as practicable but necessary, and the law which laid the foundation of our national coinage system was conceived for the purpose of providing the legal conditions necessary to its continuance. It had been, and for a long time it continued to be, an open question whether the expenditure necessary for the establishment of a government mint would be a good investment. But when it was determined to undertake this work discussion seems to have become limited to the purely practical considerations of convenience in the coins. Indeed, little more interest was manifested in the subject, at the time, than during the days of the Continental Congress. Though the bill was before the Senate several times between December 21 and January 9, the only reference to it in the Annals of Congress regards the employment of officers, the keeping of accounts, and the emblems to be borne by the coins. The latter subject occasioned an interesting and an amusing discussion in the House, and even resulted in a difference between the two Houses. The Senate had proposed a representation of the head of the President for the time being, with his name, etc., but it was objected that to do this was to incur the danger "of imitating the flattery and almost idolatrous practices of monarchies." Despite the popular ridicule of the idea of "the people's being enslaved by their President, and much less by his image on their coin," the House of Representatives, by a vote of 24 to 32, refused to recede from its amendment in

favor of a design "Emblematic of Liberty." The Senate ultimately accepted the amendment, but the character of the emblem was left entirely to the discretion of the administration.

April 2, 1792, the Act was approved by President Washington, who had been authorized the year previous to engage artists and procure apparatus, and the work of minting began at once. But the making of coin was a new industry in this country. The initial difficulties to be overcome were many and great. Workmen were to be obtained, and the plant, and the raw material furnished; suitable buildings, furnaces, delicate machinery, dies, rollers, presses, drawing and milling machines were wanted; and both materials and tools were lacking, and machinists and skilled workmen were not easily found. Finally, when the Mint was ready for work, there was little work to be done. Coin and bullion were sent in small quantities only, and the treasury did not provide means for the purchase of bullion. The expense of refining, much greater then than now, was at first borne entirely by the government. Again there were no laws which properly protected the government in the monopoly of coinage. In the report for 1795, the Director of the Mint states that mints were erected at Baltimore and elsewhere, professedly to imitate the coins of foreign countries and to furnish a debased gold coin for the West India market. How much minting they did is not stated.

The minor and technical difficulties relating to methods of manufacture and management were gradually overcome, partly with, partly without, the aid of legislation. But the major difficulty remained: neither coin nor bullion was offered at the mint with any regularity or in sufficient quantities* to employ the mint officials or to affect appreciably the coin currency of the country. This lack of material was at once a cause and an effect of the difficulties

* See American State Papers, Finance, I., pp. 476 and 504.

encountered. Neither gold nor silver was produced in the country; no private interest existed anxious to avail itself of the privilege of having its product gratuitously manufactured by the government; neither was there any inducement for individuals to offer foreign money for recoinage while the foreign coins were convenient and were full legal tender.

Worst of all, the treasury entirely failed to co-operate with the mint in the effort to provide a system of national coins. Even after inquiry on the part of a House Committee, the secretaries refused compliance with a very definite provision of the statute, according to which all coin received by the government officials in the treasury department was to be sent to the mint and recoined into American money before being allowed to pass into circulation again. It is true that the governmental transactions of receipt and in many instances expenditure of moneys took place at distant points. The officials in charge apparently deemed it unwise to entail the expense of transportation in both directions. Even the money received in Philadelphia was not sent to the mint. As late as 1803, the Director of the Mint reports that no precious metal had been coined on account of the Government of the United States.

Hamilton had considered three years an ample time for the conversion of the coin currency of the country. The average annual net "ordinary" receipts of the government from 1796 to 1800 were over $8,000,000—an amount certainly equal to one-half the total amount of coin in the country at the time. That the conversion of the coin was possible within three years is conclusively shown by these figures; still the average annual coinage at the mint for the decade 1795–1805 was only $500,000. If the treasury department, which had recommended it, would not conform to the law seeking to substitute a national for a foreign coin, it was not to be expected that individuals would do so, or would voluntarily undertake the task.

The few coins that were made were soon exported. The cheaper coins—those invariably chosen when preference is offered—were the worn and depreciated foreign coins. New American coins could not "drive them out." English, French, Spanish and Portuguese coins circulated freely, and from time to time certain of them were made legal tender, at specified rates, by tale or weight. The American dollars and eagles were exported, because worth more as commodities in other markets than as a circulating medium or a means of paying debts in the United States. Gold coins were not issued until the latter part of 1795, and as early as 1798 it was stated in Congress that a large quantity had been seen in a goldsmith's window in England. "Thus easily do our eagles take their flight."*

In the first years of the century the drain of silver *dollars* was so great that the government ceased making them after March, 1804, none being issued thereafter until 1836. It is worthy of note that this policy was originally adopted by the administration as a means of preventing the exportation of coins, and was followed by the mint authorities without any specific law authorizing them to refuse to coin silver dollars.

During all this time the mint occupied a precarious position; even its continuance became a matter of dispute. By many it was regarded as an expensive luxury, a needless burden, which ought not to be borne longer. It was urged that it cost $1.00 to coin $10.00. In 1802 a bill to close the mint passed the House, but failed in the Senate. After extended discussions, the acts were passed providing for the continuance of the mint at Philadelphia for a period of from one to five years. It was not until 1828 that the bill passed Congress providing for its permanent establishment. In 1782, in the report of the superintendent of finance, it was urged that the coins put into circulation should be few and simple, in order that they might "become familiar to

* "Annals of Congress," 5th Cong., Vol. I., p. 750.

all ranks and degrees of men." Nearly two generations passed away before the first American coins, the very coins —of gold—which Morris had held we should never need, became thus familiar to the people; and the third generation was well advanced before a general national coin currency was secured by the subsidiary coinage law of 1853 and the laws of 1864, 1865 and 1866 authorizing the smaller token coins.

Bank-notes were more successful in the competition with foreign coins. After 1800 the bank circulation became an important factor in the currency of the country. Prior to that time the currency of the country was composed almost entirely of gold and silver money. Subsequently banks came into existence in rapid succession. The Bank of the United States (1791–1811) afforded a reasonably satisfactory credit currency; but its dissolution in 1811 occasioned an enormous increase in the credit currency of the country. In 1815 the domestic paper which the treasury felt obliged to receive was of every degree of unsoundness. Specie payments had been generally suspended in 1814. The latter part of the war had been conducted almost entirely on treasury notes instead of long loans and bonds. In his report of December 6, 1815, Dallas stated that it was impossible to estimate the working value of the income of the government. "The possession of funds in one part no longer affords evidence of a fiscal capacity to discharge a public debt in another part of the Union." The differing values of the foreign coins used established at least seven different standards of value in the current money. The situation was as serious as in the days before the adoption of the Constitution.

The period from 1815 to the panic of 1819 was one marked by extreme fluctuations, prices and credits changing with war-time rapidity. There were no uniform and convenient instruments of credit; no medium existed for circulating obligations and facilitating transfers of the

evidences of debt; no money of constant value was circulated throughout the length and breadth of the land; there was no secure basis for any portion of the vast amount of credit currency; no standard or "common denominator" of value. All things were measured in the primitive unit—a day's labor. Net imports rose and fell as follows, in millions of dollars: 1814, 12.8; 1815, 106.5; 1816, 130; 1817, 79.9; 1818, 102.3; 1819, 68. The net ordinary receipts of the government were 15.7 million dollars in 1815, 47.7 in 1816, 33 millions in 1817, 21.6 in 1818, and $24,600,000 in 1819. Exchange on London, which had fallen to twenty per cent discount on the nominal par ($4.44 ⅘) in 1812, was twenty per cent premium in 1816. The depreciation of the paper currency was an important element in the situation, and a direct cause of the deranged state of industry and commerce.

The evil effects of unsound currency and the necessity for a mint and a national system of coinage were felt even more strongly after the panic of 1819 and the resumption of specie payments by the Bank of England after a suspension of twenty-six years. As between individuals, it is contrast with others that develops economic wants among nations. In international intercourse, trade and competition, it makes but little difference how poor the currency of a country may be, and indeed its deficiencies are not realized, until other nations secure a money of a higher industrial grade. In 1814 a deranged currency and the suspension of specie payments operated as an expelling force. In 1819 organization and system abroad, the resumption of specie payment in the English currency, added an impulse attracting the better part of our currency to other countries.

As a means of relief from currency difficulties Congress chartered the (Second) Bank of the United States in 1816, with right to establish branches and with privileges of issue, and revived for three years an act making certain foreign coins legal tender. Again a bank-note circulation, with

foreign coins as a basis, was accepted as our national currency. This secured neither soundness for the credit currency of large transactions, nor convenient fractional money for retail trade.

In his report on the banks and the currency in 1820, the Secretary of the Treasury, Crawford, stated that small notes circulated in a majority of the States to the exclusion of silver. Small change was not abundant anywhere except in Philadelphia, the seat of the mint. Tickets of 6¼, 10, 12½, 25 and 50 cents, issued by mayors and corporation officers, and dollar bills torn in two pieces for the purposes of change, were everywhere used. "The fractional parts of a dollar," he said, "are so indispensable in the transactions of individuals that anything which assumes that character will be employed."*

Two other plans were proposed in 1816 and 1819 for securing a better currency, but neither was adopted. First it was proposed to prohibit the exportation of coin; for the new coins were regularly exported, particularly to India. Both the Secretary of the Treasury and the Senate Committee reported against the bill proposing the old remedy of a prohibition on the exportation. Such a law, they claimed, could not possibly be made effectual in any country, least of all in the United States; and so far as it was actually operative it would be in favor of the more corrupt and dishonest portion of the business community. Congress did not commit the folly of enacting this law: the testimony of history to the inefficiency of the means was too great. Neither did it then adopt the second plan proposed—that of reducing the weight of the monetary unit and thus making a given amount of metal in the shape of an American coin worth more in domestic trade and for the payment of debts at home than for export. This plan had been strongly urged in 1816, and was favorably reported on by a House Committee in 1819. In the latter instance it was recommended

* Report of February 12, 1820. American State Papers, Finance, III., p. 494.

that a charge of 14.85 grains be made for seigniorage on fractional silver coins, their legal tender quality being limited to the payment of debts of five (5) dollars or less, and that the weight of the gold coins be reduced about four per cent.

By this time gold had disappeared entirely from circulation and even in goodly measure from the vaults of the banks. Their reserve was largely fractional silver. Foreign coins circulated in seaport towns and on the frontiers, where bank paper was not received. But again, the only action taken by Congress in 1819, was to extend the life of the mint for another period of five years, and to continue the legal tender quality of certain foreign coins—Spanish coins indefinitely and French silver coins for four years.

The amount of gold and silver coins issued by the mint of the United States in each quinquennial period, from 1792 to 1834, is as follows, in millions of dollars:

	Gold.	Silver.
1794–5 to 1800	1.	1.4
1801 " 1805	1.5	.5
1806 " 1810	1.7	3.1
1811 " 1815	1.4	2.6
1816 " 1820	1.8	3.4
1821 " 1825	.6	5.9
1826 " 1830	1.3	11.
1831 " 1833	2.5	8.5

This period has been called the silver period by the historian of bimetallism in the United States.* It is much more distinctively *the period of bank notes and of foreign coins.* Indeed it can hardly be said to have been a period of American coinage. In describing it, Professor McMaster says:†

"The coinage, though national in name, was not national in value. The old stockings of the people were full of coins bearing the stamps of many foreign mints, called by all manner of names, and possessing different values in different places. . . . They had been in circulation long before the war for independence, had seen much service,

* Professor J. Laurence Laughlin, of Chicago University.

† "History of the People of the United States," Vol. I., p. 189.

and were none the better for the wear and tear they had sustained. The four pence pieces passed for six and a quarter cents if the inscription was legible, but only for five if smooth and 'crossed.' The nine pence passed for twelve and a half cents. The pistareen was worth twenty cents. The picayune went for six and a quarter cents. . . . Some shilling pieces and six pence pieces were to be found in circulation down even to the Civil War, and were, with the fips, the levies and the pistareens, the last relics of a time happily passed away."

THE GOLD COIN BILL OF 1834.

The first important change in the laws relating to our coinage system was made in 1834. Its purpose, according to the advocates of the measure, was to resuscitate the gold currency. The administration had been successful in its prolonged contest with the bank. This fact, together with the increasing importance of gold mining in the Southern States, seems to have been the direct occasion of the law and to have determined its character. It was approved by President Jackson on June 28. By it the weight of the gold coins thereafter issued was to be about six and a quarter per cent less than under the law of 1792. This, says Mr. Laughlin,* *debased* the gold coins of the United States 6.26 per cent, and to that extent the law gave gold *a less legal-tender value* than it had possessed before 1834. (The italics are my own.)

But is this *debasement?* It would seem rather to be a provision for the manufacture of another kind of commodity. Debasement of a coin implies its being called in by the government, in a more or less despotic manner, and the enforced substitution of one of less value. It is a depreciation of the monetary unit under forms of law, an arbitrary political attempt to get something for nothing. In the present instance, however, there were very few coins which could be called in, nine-tenths of all those issued having been exported or melted, and provision was made in the law for rating such as still existed and were presented at the Mint

* "History of Bimetallism in the United States," p. 70.

in proportion to the pure metal they contained. Before 1834 an amount of gold worth 103 or 104 cents had been legal tender for $1. But certainly this was not a very valuable privilege of which owners of gold were deprived. The old gold coins had not served as money in America for twenty years and more.

But it was now desired for two reasons to secure a gold currency. For twenty years the currency question had been under discussion. It had been made the subject of special investigations by, and lengthy reports to, Congress. Secretaries of the Treasury, notably Crawford in 1820 and Ingham in 1830, had vied with Chairmen of Congressional Committees —Lowndes in 1819, Sanford in 1830, and C. P. White in several reports from 1831 to 1834;—secretaries had vied with chairmen, in preparing extended treatises on the nature and character of currency and in devising plans for improving the condition of American currency. But Congress paid little heed to reports and petitions. The paper currency of the country and foreign silver coin continued to serve as the money of the community. It was in the interest of those who supplied the former to maintain as strong a demand and as complete a monopoly as possible. The Secretary of the Treasury said in a letter to the Committee of Ways and Means that the great evil of the currency was the disproportion between the paper in circulation and the coin prepared to redeem it, and urged that the first step toward a sound currency was to reform the coinage of gold.* Only a gold currency, it was claimed, could compete with, or form a proper basis for, a paper currency. The fancied special interest of a particular class, the owners of gold mines, added the impulse needed to secure legislation.

Some sort of currency a community must have. Industrial and commercial needs compel its creation. The law only regulates it or invites the creation of a particular kind. The general public accept foreign coins and a voluminous

* Quoted in the Debates in Congress, Vol. X., p. 4644.

paper currency based on them, despite the disadvantages and dangers, until a stronger interest is enlisted in supplying a better currency. The first requisite of the currency for ordinary transactions is that it be simple, convenient and uniform. A great variety of bank-notes and of foreign coins, of different values in different portions of the trading community, cannot constitute a good currency. The first improvement to seek is uniformity, and thus familiarity. Fips and tuppenny bits will circulate till worn smooth as glass, and paper dollars until badly torn, patched and dirty, simply because they are familiarly known. It had been expected that the Bank would secure the desired end. But in his first message to Congress, in December, 1829, Jackson stated that the bank had entirely failed in the effort to establish a uniform and sound currency. Certainly this statement, and the subsequent policy of the administration in the contest with the bank, was not calculated to secure to the currency either uniformity or soundness. There was thus apparently another reason for currency legislation.

In the early period the question had been, Shall we have American coins? The issue was entirely between the acceptance of the system of foreign coins left over from colonial days and the substitution of domestic or home-made, *national*, coins. The foreign coins and a paper currency won the day. The question now was, Shall we have coin or paper, hard or soft money? The practical question before Congress concerned the legal restrictions and regulations necessary to secure the chief requisite of a credit currency—soundness. The great desideratum in money is stability. That the dollar, the monetary unit, should be invariable becomes increasingly important as the use of credit instruments is extended. A measure, or standard, cannot be good if variable.

In 1834 the basis of our credit currency was made up of foreign coins and the fractional silver coins. Foreign gold coins had ceased to be legal tender in 1819. Little gold of

any kind, native or foreign, remained in circulation after 1820. The silver coins were old and worn. The larger part were Spanish—the only foreign coins which were legal tender from 1827 to 1834. They had been in circulation from twenty to one hundred years. The bulk of the currency was paper—the notes of a great number of banks. These banks were of every degree of solvency, but the government received their notes until the issuance of the famous specie circular in 1836. American coins were few. The old Spanish coins were the nearest existing approximation to a standard of value. The currency was neither uniform, convenient nor simple, and it was maintained that this coinage system was allowed to continue in order to promote the use of bank-paper and preserve the unsatisfactory condition of the currency in the interest of gamblers and dishonest speculators.

A new mint had been built in 1831, and a bill to revise the coinage system passed in the Senate. From the standpoint of the government, there was evident folly in maintaining this mint in the comparative idleness entailed by the law as it then existed, or in using it to manufacture gold and silver for export. The capacity of the mint was double, possibly treble, the amount issued in the years immediately preceding 1834. It was used, moreover, as it was again later when the quantity of gold greatly increased, simply as an inexpensive means of getting metal into a convenient form for exportation. It was clear that the coinage of gold should be entirely abandoned, or means provided for securing the circulation at home of the coins which were made at government expense. Gold had never been an important factor in our currency. The premium in New York from 1827 to 1834 was from three to ten per cent. To retain the gold coin and make it the chief component of our currency, it must be made so as not to be more expensive than the silver coin, and together with silver it must also meet the conditions of competition with paper. To accomplish these

ends was the avowed purpose of the supporters of the Gold Coin Bill of 1834.

On March 29, 1834, Benton introduced in the Senate a resolution for a joint committee to report what alterations, if any, were necessary to be made:—

First, in the value of the gold coined at the mint, "so as to check the exportation of that coin, and to restore it to circulation."

Second, "in the laws relative to foreign coins, so as to restore the gold and silver coins of foreign nations to their former circulation within the United States."

Third, in the regulations for the collection of the revenue, with a view to making the revenue system instrumental in "the introduction of gold and silver for the *common currency* of the country."

From this presentation of the subject it would appear that the ultimate object and the practical difficulties were the same in 1834 that they had been in 1792. Little, if anything, had been accomplished in the effort to provide the country with a sound and uniform currency. The important questions as to the nature of the money-unit and the proper legal ratio between the two kinds of coin were still unanswered.

As finally passed, the law made no change in the silver coins, but reduced the weight of the gold eagle to 232 grains of pure metal, thereby raising the ratio to a trifle over 16 to 1—371¼ to 23¼, or 16.002. This ratio had been proposed by Secretary Crawford ten years earlier. Mr. Lowndes had recommended 15.6 to 1 in 1819, though the Director of the Mint had at that time reported the ratio of 16 to 1 as the market rate prevailing in some parts of Europe. A select committee of the Senate, in 1830, had proposed 15.9 to 1, a mean between different legal rates established by the various countries of Europe and the commercial rate prevailing in South America—the country whence came our supply of silver. These various recommendations would indicate honest differences of opinion.

The market rate is a matter of fact; but a matter of fact difficult to determine with accuracy. As now stated in the report of the Director of the Mint, the average rate for the year 1833 was 15.93. In 1808, 1812, and 1813 it was above 16, and prior to 1834 it was frequently above 15.8. Mr. Jones, of Georgia, insisted in debate that the divergence of the proposed legal rate from the existing market rate was only ¾ of one per cent, and he justified the mint rate of 16 to 1 on the ground of a probable further advance in the ratio. Mr. Gorham replied that the rate here was 15.63; that in France it was 15.68, and in England 15.77. He consequently maintained that the contemplated regulation concerning gold coins would add two and one-half per cent to the value of gold coins. Assuming the correctness of his figures this makes evident not only the impossibility of bimetallism under the new law, but the fact that in passing it Congress would be responsible for a perceptible lowering of the standard of value—"the greatest wrong charged against the tyrants of the Middle Ages, and one which no modern despot has dared to repeat."*

From these statements made in debate, it would appear that a bimetallic controversy took place in the Twenty-third Congress. Stronger interests had developed on each side. Monometallism (of *silver* money) was the acknowledged fact in our coin currency. The standard of value, in so far as there was one, was in silver, though it must remain a matter of doubt whether the standard was the ideal unit of two half dollars, which contained 371¼ grains, or the worn Spanish coins, which when issued contained, some of them, 365, and others 374, grains to the dollar. Silver monometallism was not, however, so generally accepted in 1830, as the permanent policy of the country, as bimetallism had been in 1792. It was by many deemed advisable to resuscitate the gold currency. If this was to be attempted, the practical question of ratio would become the point of issue.

* Sumner, "History of American Currency," p. 111.

Should it be less than, equal to, or greater than the commercial rate? And what was the real commercial rate? The (silver) monometallists who were anxious to preserve the standard unchanged, and fearful lest gold should be overvalued in the coins, and thus the standard be lowered, sought to place the mint rate lower than the market rate, and insisted on the ratio of 15.625 to 1 as the highest which could safely be adopted. In the House this was voted too low, the vote standing 52 to 127. Bimetallists—those who desired joint circulation of both kinds of coins, the gold for the large, the silver for the small, transactions—urged that the mint rate for gold might be slightly higher than the market rate. Silver being a heavier metal and the coin larger, it would circulate in retail trade though undervalued. The ratio of 16 to 1 was approved in the House by a vote of 145 to 36, the compromise rate of 15.865 having been voted down—69 to 112.

It would thus appear that an honest difference of opinion existed both as to what was the commercial value of gold in terms of silver and as to how far the legal rate could practically diverge therefrom, under the circumstances then existing, without expelling silver or gold from circulation. The metal market was not active and settled. The original unit had not been exactly defined, and the ratio formerly adopted, 15 to 1, was founded on information which was more or less vague and incorrect. The conditions had not greatly changed in 1834. The situation is made difficult, and the making of any dogmatic statement as to the intention of the law-makers is prevented by the impossibility of ascertaining the facts regarding the market price of metals. The result is not clearly proved. Certainly, no active business could be conducted in buying up dollars which had not been coined.* It seems doubtful whether the standard was appreciably reduced, even through the psychological influence of the new statute. Neither the movement of the

* Andrews, "Institutes of Economics," p. 204.

coin nor the change in the standard of value in the community would appear to have been automatic to the degree implied by the statements of extreme monometallists.

While the injustice of actual debasement is unquestionable, a doubt may be fairly entertained as to the fact in any particular instance. The commercial rate varied from year to year* and was different in the different markets with which we had direct commercial intercourse; 16 to 1 appears to have been the average market rate. The excess of imports over exports of coin and bullion for the years 1834 to 1839 was: gold, $23,542,326.00; silver, $26,801,954.00. In the years 1834 to 1842 silver was coined to the value of $22,295,339.60, while only $19,207,810 worth of gold was coined. It is at least doubtful what actually constituted the standard of value in the minds of the people in 1834—the American coins not in use, the paper currency, or the current Spanish coins of which the value as silver was so various. That the experiment cost every creditor two and a half cents on every dollar, as Mr. Sumner states, is hardly to be believed, in the light of the above figures taken in connection with the mania for bank circulation and the enormous speculation of the years 1835, 1836 and 1837.

It is true the ratio adopted proved too high. Silver did not fall so low again until 1874.* But how far its adoption was due to an error of judgment on the part of sincere bimetallists and how far to the desire to "encourage and protect" gold mining in the Southern States, or how far it resulted from a dishonest intent to indirectly scale down debts by lowering the value of the monetary unit, cannot be determined. Consideration of the political situation leads to the inference that it was the intention of the majority of those in power to overrate gold slightly. The desire of the administration party to secure a specie circulation was presumably a prevailing force in the minds of many. Gold coins were necessary to the success of their plan. To gold coin

* See Diagrams IV. and V.

should consequently be given the benefit of any doubt. It was desired also to extend the market for gold. Small amounts had been coming to the mint from North Carolina ever since 1804. In 1824 one-fifth and in 1826 one-fourth of the total amount coined was "native." In 1832 there came to the mint from the Southern Alleghanies $678,000 value in gold, and in 1833, $868,000.*

As early as 1829 a committee had been appointed to consider the advisability of establishing a branch mint in North Carolina. One was organized in 1838. The gold-mining interests called for congressional action to provide a market for gold, and thus raise its price. Finally, a few votes or parts of votes came from the political influence of those who were in pecuniary difficulties, and were seeking legislative relief.

But the charge of sinister motives is based quite as properly on the manner in which the act was passed as upon the speculations on its possible, or knowledge of its actual, effects. The bill which had been under discussion during the session, and been passed in committee of the whole, proposed a ratio of 15.625 to 1, and the fractional parts alike of the eagle and the dollar were to be depreciated from three to five per cent of the standard weight and to be made legal tender for $10.00 only. This bill was dropped at the close of the session and an entirely new one substituted—one differing in principle and establishing the 16 to 1 ratio. This was discussed in a somewhat slimly attended House only a week before adjournment, and received but scant attention in the Senate on the final Saturday morning. The vote in its favor in the latter body was 35 to 7.

Large amounts of gold were immediately coined, and by 1840 began that excess of exports over imports of silver which has been interrupted only three times since then.†

After 1843 the amount of gold coined exceeded that of silver. The discovery of gold in 1848 somewhat reduced its

* Sumner, "Andrew Jackson," p. 333.
† 1843, 1846-47, 1861.

value in the years following, and thus greatly increased the divergence between the mint rate and the market rate of the metals. In 1850 it became difficult to keep fractional silver in circulation. The small coins even were worth more as silver than as change, and their worth increased in 1851 and 1852. Silver was thus gradually demonetized under the action of the law of 1834. The monetary standard of the United States since 1837 has been 23.22 grains of gold.

FRACTIONAL SILVER COINS.

The second change of importance which was made in our coinage system was the reduction made in the weight of the fractional silver coins under the Act of February 21, 1853. By the law of 1792 they had contained proportional parts of a dollar—412½ grains gross weight, after 1837. By the statute of 1853 they were reduced in weight to parts of 384 grains to the dollar *and coined only on Government account.* The provision for free coinage of the silver dollar was not changed, but after the act went into effect no deposits of silver bullion were received for the purpose of coinage into fractional coins, except from the treasurer of the mint. The coins were to be sold in exchange for gold in amounts of $100 worth or more, face value, and the amount of quarter-dollars, dimes and half-dimes to be manufactured was left to the discretion of the Secretary of the Treasury, the treasurer of the mint being authorized to purchase the necessary amount of bullion. The smaller silver coins, parts of a dollar, were thus made subsidiary and put on the same basis as the minor or token coins, the profit on their coinage being from time to time turned to the account of the Treasurer of the United States. By this act they were made legal tender only in payment of debts for sums not exceeding $5.00. This amount was increased to $10.00 by the Act of June 9, 1879.

This Act of 1853 was the logical outcome of the increase in the production of gold after 1848 and the consequent fall

in its value as compared to silver. Soon after the discovery of new mines of gold the silver coins rose to a premium of five per cent and quite rapidly disappeared from circulation. The coinage at the mint fell from $2,558,580.00 in 1846 to only $774,397.00 in 1851. Small change became very scarce. The demand for it is clearly shown in the mintage of the depreciated three cent piece which was only ¾ fine.* The demand is also shown to have been urgent by a consideration of the amount of the smaller silver coins sold after 1853—an average of over $5,000,000 worth annually for the five years 1853–58.

Gold and silver coins were now again unequal in value. Unless the variation was to be of temporary duration— an hypothesis which did not appear reasonable at the time; unless the equilibrium was soon to be restored by natural or industrial causes and conditions, it was a matter of necessity that some alteration be made. The every day convenience of trade and industry demanded it. The alternatives were an increase of four or five per cent in the weight of gold in the gold coins, or a corresponding decrease of the silver in the silver coins. To the former remedy Mr. Skelton offered the objection† that increase in the weight of the gold currency of the country would compel a man possessing a quantity of gold coin to receive less than a dollar for that piece of money stamped with one dollar upon its face. To prevent this injustice the government might redeem the old coins at their face value in the new ones to be issued, at an expense of $15,000,000 or $20,000,000. The one alternative government could not afford; the other was virtual robbery of the individual by Act of Congress. "We should meet that difficulty when we return home to our constituencies," remarked Mr. Skelton. Mr. Dunham added: "It is using the power of the government for the benefit of

* It amounted to nearly $1,100,000.00 in the years 1851 to 1853, while only $200,000 worth was issued between 1853, when the coin was reduced (or rather raised) to the standard of nine-tenths fine and 1873, when its coinage was discontinued.

† *Congressional Globe*, Vol. XXVI p. 492.

The discussion of the bill does not indicate the existence of any firm conviction of the desirability or the feasibility of securing concurrent circulation by making the mint ratio the same as the market ratio. The usual charges were made that the government was "tinkering" with the currency and that the act was mere legislative quackery, and inaction was declared to be the best remedy for the existing trouble. But no serious effort was made to obtain bimetallism. For a number of years gold had been unmistakably the standard and the supporters of the measure distinctly avowed their intention to let it remain so; to cause legal recognition of the fact, and in part to adapt silver to this standard by reducing the weight of the coins most needed in retail trade so that they would be below par as merchandise. Nothing is said in the act about the dollar—the coin which practically had never been coined; but in his speech introducing the bill in the House, Mr. Dunham expressed the desire of the committee to have the standard currency consist of gold only, and stated that the effect of the bill would be to make the proposed silver coins entirely subordinate by reason of the degree of their debasement; that they would be used rather as token than as standard currency, "applicable and convenient, not for large but for small transactions."

It is indicative alike of the small amount of interest manifested in the subject and of the carelessness of legislators that the first section of the bill stated that it was to go into effect in June, 1852. It was the expectation of the Senate Committee that it would be passed the first session, but it was delayed until near the end of the second session and passed in the House as it came from the Senate; this provision of the first section, therefore, required the impossible, and it was necessary to rectify the blunder by a clause in the Deficiency Bill. The Act went into effect April 1, 1853.

In the light of the current discussion of the currency

question it is interesting to note that the protective argument was used in 1853 in behalf of a single gold standard and a gold currency just as it is now urged in favor of the free coinage of the silver dollar. Gold is the production of our own country: silver is not. Let us, therefore, it was urged, use our own productions and in so far increase their value. It is another instance of attempt to make private interest appear public blessing, if not to substitute private for public benefits.

After 1848 the amount of gold coined each year at the mints of the United States increased as follows, in millions of dollars: 1849, 9; 1850, 32; 1851, 62.6; 1852, 56.8. No one could suppose that such a quantity of coin would be at once introduced into the circulation of the country. Putting the metal through the mint was simply an easy way of getting it manufactured into a marketable form. Provision was consequently made in this Act for the manufacture of bars or ingots, either of pure or standard metal, at a charge, not above cost, to be fixed by the Secretary of the Treasury. By this provision it becomes possible, in part at least, to separate the metal designed for use in the arts from that which is to go into circulation as coin and to place the expense for manufacture of the latter only on the government and thus on the general public.

REORGANIZATION OF THE MINT.

The act of February 12, 1873, was at once a codification and a revision of the laws relating to the coinage system of the United States and to the business of minting. It is entitled: "An Act revising and amending the Laws relative to the Mints, Assay-offices, and Coinage of the United States." By it our coinage system was somewhat extended and the work of making coins more carefully systematized. The many provisions of the sixty and more different laws regarding the mint and its branches, the assay offices, and the coinage of the United States, which had been enacted in

capital at the expense of labor—of the rich at the expense of the poor."*

It is not to be wondered at that the average Congressman should choose rather to reduce the fractional silver than to raise the value of the gold coin, although it was clearly recognized that the disparity in the coins existed because of a fall in the value of gold and that so-called theoretical justice demanded an increase in the weight of the gold coin as a means at once of equalizing the coins and maintaining the standard.

That the act could or would depreciate the standard of value, or that it did so, is not apparent. True, fractional silver coins are debased coins. They are token coins, and the government makes a profit at present prices of about forty† cents on every dollar's worth sold. But they are worth their face value by reason of the fact of the limitation of the supply. There is a government monopoly. The only way to obtain two half-dollars is to pay their nominal value to the government in legal tender. Thus, the standard of value cannot be affected. People are not deprived of their rights, laborers are not robbed of their hire, by being paid in the debased silver coins.

It was a condition and not a theory which presented itself in 1850. It was a practical difficulty under which the country was laboring. The small paper tickets of an earlier generation were again coming into use. The object of the law was simply to supply small silver change—a much more convenient form of currency. As stated in a petition from the New Jersey Legislature, "It could not in the slightest degree disturb the monetary affairs of the nation, or infringe existing rights in contracts." It might with some propriety be urged, as was stated by Mr. Jones, of Tennessee, that "making gold the standard was something like making standards of tobacco, rice, cotton, or any other of the staple productions of the country." Gold at the time

* Appendix, *Congressional Globe*, Vol. XXVII., p. 191.

† Estimating silver at 85 cents per ounce.

seemed almost as unstable a measure as silver became in the years following 1873. But depreciation does not necessarily follow debasement, and in the instance in question was certain not to follow. Debasement of the fractional silver coins had no more effect than the debasement of the copper coins on the fluctuation of the money unit. They were not allowed to decline in value.

Despite the evident public need for a simple and convenient retail currency, but little interest was taken in the bill. It was first introduced by the Finance Committee in the Senate, March 8, 1852. On the twenty-ninth Mr. Hunter asked the Senate to take it up, remarking: "I believe there is no objection to it. We can pass it this evening." There appeared to be no objection, and it was ordered engrossed for the third reading, and passed without discussion on the day following. For some reason it did not appear in the House until May 3. It was then referred to the Committee of Ways and Means, but was not brought up for discussion until February 1, 1853. On that day it was introduced with a speech by Mr. Dunham, explaining its provisions and the reasons for some four or five proposed amendments. It was discussed on the two following days, but only during the morning hour, and was not again brought up until February 15, when the amendments were voted down by large majorities, and the bill passed as it came from the Senate—"Ayes, 94; noes, not counted."

The opposition to the bill in the House came almost entirely from those who insisted that, in spite of the limitation as to the amount to be coined, the bill depreciated the standard and provided for the issuance of a new kind of coin which would complicate rather than simplify the monetary system. The reverse proved to be the case. The coin introduced increased the uniformity in our coinage system and met the wants of the trading community.

There seems to have been no opposition on the part of bimetallists.

the latter, its occasion had been lacking. Between 1862 and 1876 we had a paper currency. Both gold and silver coins of every kind and description, and in a measure even copper coins, were driven from circulation by the notes of the treasury, of the national banks, and of individuals. They had ceased to be part of the circulating medium of the country. They would be returned only upon the withdrawal of the depreciated paper. It was even questioned in debate why the government should consider the relative merits of two kinds of coin neither of which the country possessed. As between the two, there was apparently no thought of so changing the mint rate as to insure their joint circulation, except on the part of those who opposed any debased currency whatsoever—even the fractional. No one proposed to attempt the re-establishment of bimetallism. For that purpose, the depreciation of the silver dollar three per cent or more would have been necessary, and some plan for forcing the depreciated paper to par and maintaining it in a state of convertibility must have been adopted.

How far coming events cast their shadows before is ever a difficult matter to determine, but that the changes of the years from 1871 to 1876 could have been anticipated by Mr. Knox in preparing his report in 1869 hardly seems probable. It is certain that the average Congressman in 1873 would not have found it possible to make the most vague approximation to the rate which was necessary to secure bimetallism throughout the decade that followed. That the victor in the Franco-Prussian war would be able to compel the payment of a gigantic war indemnity of $1,000,000,000, and would make use of the opportunity to change the currency of Germany from silver to gold, as a means of aiding industrial development; that between 1871 and 1874 nearly every country in Europe would close its mint to the coinage of silver and keep it closed; and that the demand for silver in the countries of the East, India and China, would greatly decline; that the production of silver would double, treble

and quadruple even between 1868 and 1878; that an almost unprecedented industrial depression would follow the panic of 1873; that these, or any such fortuitous concatenation of events could have been foreseen, and the fall in the value of silver, as measured in gold, been predicted with any accuracy, is highly improbable. In any case the very best policy, the one which most completely protected the interests of the whole community was, perhaps, the one adopted in the Act of 1873.

The fall in silver, coming as it did so shortly after the failure of the Greenback party in 1874, gave rise to bitter feelings against those who secured the enactment of the Mint Law of 1873. Extremists even went so far as to say that silver had been demonetized by clandestine legislation. Nor has this belief disappeared with the progress of time; it is still current, though quite unwarranted, as shown by the history of the bill in its passage from drafting to final enactment. It was practically before Congress and before the country for about four years. In his report in 1869 the Director of the Mint urged the restoration of a silver currency "for change," in lieu of the postal and small-note currency, as the first step toward and "an important adjuvant to a general resumption of specie payments." A year later he stated that a number of our leading commercial newspapers had emphatically endorsed the plan and he expressed the belief (1870) that the product of silver in Nevada and Colorado would be sufficient to meet the demand. His proposition was for a very much more debased kind of coin than those formerly in use, and in defence of the system he quoted the following significant language: "This is not a scheme for debasing the standard of value. Its only object is to restore silver on such a basis, under legal sanctions, as will enable it to keep its subsidiary place, whether the chief currency be paper, as it now is, or gold, as we hope it will soon be."*

* Finance Report, 1870, p. 422.

The draft of a bill in which the plan was systematically worked out had been sent, during the year 1869, to prominent financiers and the important government officials, for suggestion and comment. In its perfected form it was introduced into the Senate by Mr. Sherman, April 28, 1870, and referred to the Finance Committee. The letter from the Secretary of the Treasury and the report by Mr. Knox explaining the provisions of the bill were printed with the bill.

After a careful investigation the bill was reported in December following. It was discussed during the morning hours of January 9 and January 10, 1871, and passed on the second day by a vote of 36 to 14, 22 being absent. Just a year later, January 9 and 10, 1872, the bill was discussed in the House,* and recommitted. On February 9 it was again introduced. Mr. Hooper, of Massachusetts, who then had the bill in charge, explained in his speech opening the discussion that Section 16 provided for a dollar coin of 384 grains of silver $\frac{9}{10}$ fine, "making it a subsidiary coin in harmony with the silver coins of less denomination, to secure its concurrent circulation with them."† He was followed by Mr. Stoughton, of Michigan, who continued the explanation of the bill. In the course of his speech he made the following perfectly plain statement:‡ "The office of the silver or 'subsidiary' coins is to supply the public want for small change. They are made the tokens of value, not the value itself, and are designed only for exchange and circulation at home, up to but never in excess of the requirements of trade."

It would thus appear that the Committee of Coinage, Weights and Measures was not endeavoring to conceal its intentions. They proposed to carry out the recommendation of the Director of the Mint and provide for the restoration of silver to its place as a subsidiary coin in our currency,

* Mr. Kelly had introduced the bill (H. R. No. 5) in the new Congress.

† *Congressional Globe*, Second Session Forty-second Congress, p. 2306.

‡ *Congressional Globe*, Second Session Forty-second Congress, p. 2309.

making this the first step toward a resumption of specie payments and a complete restoration of the currency of ante-bellum days. The final vote in the House was taken under a suspension of the rules, when a substitute bill was passed May 27, 1872, by a vote of 110 to 13.

Nearly another year elapsed before the bill was passed in the Senate, on January 17, 1873. It had received twenty amendments on its journey through the latter body. The House did not concur. The Senate insisted. Conference became necessary to pass the bill. The report of the Conference Committee was agreed to, the House receding from its opposition to the amendments of the Senate numbered 1, 2, 3, 5, 7, 10, 11, 13, 14, 15, 16, 17, 18 and 20, and the wording of the other amendments being so changed as to be acceptable to both Houses. The exact character of the bill was thus finally determined in conference committee, but its main features, so far as a change of the coinage is concerned, had been under contemplation for nearly four years. If the charge of clandestine legislation is preferred against the legislators of 1873 it must be urged with equal force at the bar of public opinion against many another Congress whose most important acts have been shaped by a Conference Committee chosen to remove the points of disagreement between Senate and House.

As late as the beginning of the year 1872 it appears to have been a matter of doubt whether the silver coins were sufficiently debased under the Act of 1853, to keep them in circulation. On January 8 Mr. Kelly introduced a resolution "which was read, considered, and adopted by the House," instructing the Committee on Coinage, Weights and Measures "to inquire and report whether the intrinsic value of the silver coinage is not above that of other nations and greater than is necessary in coins designed for subsidiary purposes only, and to be retained permanently in the country."

The difference in European systems of coinage was five per cent, whereas in ours the smaller silver coins were then

worth only about four per cent less than the standard gold coins. To-day they are worth about forty per cent less, and the inducement to counterfeit has become correspondingly great.

Moreover, the recommendations of the mint authorities and the action of Congress were quite in harmony with another attempt which was making at this time—that in favor of an international coinage system.

On February 8, 1870, Mr. Sherman introduced the following resolution in the Senate:

"*Resolved*, That the President be requested, if not incompatible with the public interests, to invite a correspondence with Great Britain and other foreign Powers, with a view to promote the adoption by the Legislatures of the several Powers of a common unit and standard of an international gold coinage, and that such correspondence be submitted to Congress for its information and action."

The Forty-first Congress was at least consistent. It did not attempt, as did a later one, to secure an international agreement for a common unit and by its own act put another barrier in the way. It rather undertook to bring the currency system of the United States into accord with that of the most completely developed of her sisters in the family of nations.

Finally, as if to remove the last shadow of doubt as to the definite intentions of the administration, we have the recommendation of the Secretary of the Treasury in his report for 1872, issued when the bill was in its last days. Silver had already begun to depreciate. Its use as currency had been discontinued by Germany and some other countries. The amount mined was at the same time increasing. Believing that the depreciation of silver was likely to continue, the Secretary urged such alterations in the Mint Bill as would "prohibit the coinage of silver for circulation in this country." He held that no attempt should be made to introduce the use of silver as currency, but "that the coinage should be limited to commercial purposes,

and designed exclusively for commercial uses with other nations."

It was in carrying out the policy, recommended by the Secretary of the Treasury, that authority was given to manufacture the "Trade-dollar." In attempting to determine the motives which led to the discontinuance of the silver dollar due consideration must be given to this fact, that the same act grants the right to have the more valuable trade-dollar manufactured at the mint. The history of the trade-dollar also offers an exceedingly interesting lesson in the operation of currency laws.*

Section 21 of the Act of 1873 provided that any owner of silver bullion might "deposit the same at any mint to be formed into bars, or into dollars of the weight of four hundred and twenty grains Troy, designated in this act as trade dollars, and no deposit of silver for other coinage shall be received, . . . the charges for converting standard silver into trade dollars shall equal but not exceed . . . the actual average cost to each mint and assay office of the material, labor, wastage and use of machinery employed," these to be determined by the Secretary of the Treasury. Under this provision the amounts issued in millions of dollars were: in 1873, 1.2; in 1874, 4.9; in 1875, 6.3; in 1876, 6.2; in 1877, 13.1. The coinage was partially suspended in October, 1877, and finally discontinued by the act of February 22, 1878.

The legal tender quality of the trade-dollar, limited to amounts not exceeding five dollars in any one payment, was entirely removed by the act of July 26, 1876; yet as many of these coins were made after this date as before, and they remained in circulation for a number of years after their coinage had been entirely disallowed. That is to say, the American people persisted for several years in having manufactured and in using a coin to which Congress gave no sanction

* A detailed account of the life of this coin is given in the report of the Director of the Mint for 1887, pp. 96–100.

other than the guarantee of an honest and efficient mint. From 1873 to 1875 these coins cost somewhat more than a dollar each in the United States, and hence no one could afford to use them as money, either in paying debts or buying goods. It was only by exporting them to China and the East that the expenses of their coinage could be met. In 1876 and 1877, however, they cost less than a dollar apiece to manufacture,* and as the public generally continued to receive them at their face value, holders of bullion found it profitable to send it to the mint for coinage, as prescribed by the Act of 1873, into a 420-grain trade-dollar.

Of the total amount coined,† one-fifth (7,689,036) was redeemed at face value, in exchange for standard silver dollars or subsidiary silver coins, under the act of March 3, 1887. Nearly all the remainder have been permanently exported. So far as our currency is concerned, therefore, the trade-dollar has become a thing of the past.

The Act of 1873 thus appears to have been an attempt to *re*monetize rather than to *de*monetize silver. By the Act of 1834 silver, as compared with gold, had been undervalued in our coinage. From about 1840 down to 1875 the 371¼ grains of fine silver in a dollar had been worth more than the 23.22 grains of fine gold in a dollar—from one to ten cents more. During all this time Congress had failed to rectify the mistake, if mistake it was, that had been made in 1834, and as a consequence the American people had used a gold currency. Silver had not been monetized; indeed, it was demonetized by the public during this period. The only monetization took place under the Act of 1853, debasing the fractional silver currency and limiting the right of manufacture by abolishing "free coinage" and creating the government monopoly.

The Act of 1873 was supplementary to the Act of 1853 and conceived with the same intent. The circulation of

* See Diagram.

† 35,965,924.

postal currency had driven silver coins out of circulation during the Civil War and the years subsequent thereto. The proposition was made in 1869 to restore silver to its position as a subsidiary coin, the supply from Nevada and Colorado, it was believed, making this feasible. Any excess in the silver product for export was to be in the form of a "trade-dollar." An American silver coin had never been the chief component of American currency, and there was at that time no apparent reason for attempting to introduce it. For a generation silver had been used as the metal of our subsidiary coins. It remained, then, to bring the dollar into harmony with the fractional coins or to retire it from the circulation. The latter alternative was chosen, although the former had been recommended. Provision was made at the same time for the manufacture of coins of a convenient form, with quality and quantity of metal marked upon each, which could be used in trade with countries having a silver currency.

The important effect of this law, and of the provision of the revised statutes (1874) which deprived the silver dollar of legal tender quality, was that they prevented a use of silver which, under laws previously in force, would inevitably have followed the fall in the value of silver (1876) and the failure of the Greenback movement. Whether or not this was a desirable result is a much disputed question. The belief that it was not has led to the persistent effort of the last fifteen years to extend the use of silver. It is with the passage of the Act of January 14, 1875, providing for the resumption of specie—that is, gold—payments on the outstanding obligations of the government, that the real bimetallic controversy in this country begins. It has been carried on alike by those personally interested, as they believe, in maintaining the stability of our measure of value and standard of payments and by those who are anxious for the general welfare and believe that industrial growth and prosperity, as well as political justice, demand a composite unit of value.

Thus far this movement for bimetallism has resulted in three apparently quite fruitless attempts to secure international agreement regarding the coinage of gold and silver,* and in the two acts requiring the United States Government to purchase silver as the basis of a paper currency.

By the Act of February 28, 1878, the coinage of the standard silver dollar was authorized and *its legal tender quality restored.* But the coinage was fixed within definite limits and to be made on government account only. The Secretary of the Treasury was instructed to purchase not less than two nor more than four million dollars' worth of silver per month *and have it coined* into standard dollars. He was also authorized to issue certificates for the deposit of these coins, which should be receivable for customs, taxes and all public dues, and when so received might be reissued. Nearly 400,000,000 were coined under this act, of which about 60,000,000 remain in circulation; the remainder are covered by certificates, or are lying idle in the vaults of the government.

The Act of July 14, 1890, known as the Sherman Act, directs the Secretary of the Treasury to purchase four and one-half million (4,500,000) ounces of silver per month, or such part thereof as may be offered for sale at prices below $1.29 per ounce, and to issue Treasury Notes in payment. These notes are a legal tender at their face value "in payment of all debts, public and private, except when otherwise expressly stipulated in the contract." They are redeemable in either gold or silver coin at the option of the secretary. The government is thus made a regular purchaser of silver, which it uses as the basis of a paper currency that increases from $40,000,000 to $60,000,000 a year, according as the price of silver rises or falls. Thus far the administration, Democratic as well as Republican, has been able to redeem the Treasury Notes in gold.

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* Held at Paris in 1878 and 1881, and at Brussels in 1892.

APPENDIX.

STATEMENT A.

Showing the various coins issued from the mints of the United States, the date at which they were authorized and discontinued, and the legal tender quality of each.

	Authorized.	Discontinued.	Legal Tender.
GOLD (6, 2 discontinued).			
Double-eagle,	Mch. 3, 1849,		For any amount.
Eagle,	Apr. 2, 1792,		"
Half-eagle,	"		"
Quarter-eagle,	"		"
Dollar,	Mch. 3, 1849,	Sept. 26, 1890,	"
Three-dollar piece,	Feb. 21, 1853,	"	"
SILVER (8, 4 discontinued).			
Dollar,	Apr. 2, 1792,		(Except 1874–1878).
Half-dollar,	"		For any amount until Feb. 21, 1853; then not exceeding $5.00 until June 9, 1879; not exceeding $10.00 in any one payment since then.
Quarter-dollar,	"		
Dime,	"		
Half-dime,	"	Feb. 12, 1873,	
Three-cent piece,	Mch. 3, 1851,	"	30c.
Twenty-cent piece,	Mch. 3, 1875,	May 2, 1878,	For any amount not exceeding $5.00.
Trade-dollar,	Feb. 12, 1873,	Feb. 22, 1878,	Not exceeding $5.00. Zero after July 22, '76.
COPPER (2, discontinued).			
Cent,	Apr. 2, 1792,	Feb. 21, 1857,	
Half-cent,	"	"	
BRONZE (2, 1 discontinued).			
Two-cent piece,	Apr. 22, 1864,	Feb. 12, 1873,	20c. until Mch. 3, '65. 4c. thereafter.
Cent,	"		10c. till Mch. 3, 1865. 4c. till Feb. 12, 1873. 25c. thereafter.
NICKEL (3, 2 discontinued).			
Cent,	Feb. 21, 1857,	Apr. 22, 1864,	
Three-cent piece,	Mch. 3, 1865,	Sept. 26, 1890,	60c. till Feb. 12, '73. 25c. thereafter.
Five-cent piece,	May 16, 1866,		$1.00 till Feb. 12, '73. 25c. thereafter.

STATEMENT B.

Showing the weight and fineness of the gold and silver coins under the various statutes, the number of grains to the dollar being given in each case.

	April 2, 1792. Gross weight.	Standard.	Pure metal.	June 28, 1834. Gross weight.	Standard.	Pure metal.
Gold coins,	27	$\frac{11}{12}$	$24\frac{3}{4}$	25.8	.899225	23.2
Silver coins,	416	$\frac{1485}{1664}$	$371\frac{1}{4}$			
Ratio of pure metal,			1 : 15		$23\frac{1}{3}$: $371\frac{1}{4}$ or 1 : 16.002	

	January 18, 1837. Gross weight.	Standard.	Pure metal.
Gold coins,	25.8	$\frac{9}{10}$	23.22
Silver coins,	$412\frac{1}{2}$	$\frac{9}{10}$	$371\frac{1}{4}$
Ratio of pure metal,			1 : 15.998

	February 21, 1853. Gross weight.	Standard.	Pure metal.	February 12, 1873. Gross weight.	Standard.	Pure metal.
Fractional silver coins,	384	$\frac{9}{10}$*	$345\frac{6}{9}$	385.8†	$\frac{9}{10}$	347.22
Trade-dollar,				420	$\frac{9}{10}$	378

STATEMENT C.

Showing the coinage of gold and silver at the mints of the United States by periods, together with the total production from the mines of the country since 1792.

	Gold to the value of	Silver to the value of
1792–1833,	$11,825,890.00	$36,275,077.90
1834–1852,	224,962,920.00	42,966,776.60
1853–1892,	1,345,578,425.50	578,126,532.60
1792–1892,	$1,582,367,235.50	$657,368,387.10
Production,	$1,904,881,769.00	$1,073,172,000.00

	Silver Dollars.	Fractional Silver to the value of
1792–1833,	$1,439,517	$34,835,560.90
1834–1852,	1,067,373	41,899,403.60
1853–1873,	5,524,328	
1853–1892,		122,647,525.60
1878–1892,	413,988,735	
1873–1878 (Trade-dollars),	35,965,924	

* Except the three-cent piece (March 3, 1851), which was ¾ fine; weight changed to standard March 3 1853.

† Equals 25 grams.

TABLE I.

COINAGE OF GOLD AT THE MINTS OF THE UNITED STATES SINCE THEIR ORGANIZATION, BY CALENDAR YEARS AND BY DENOMINATION OF PIECES

CALENDAR YEARS.	GOLD COINAGE.					
	DOUBLE-EAGLES.	EAGLES.	HALF-EAGLES.	THREE DOLLARS.	QUARTER-EAGLES.	DOLLARS.
1793-1795		$27,950	$43,535			
1796		60,800	16,995		$165.00	
1797		91,770	32,090		4,390.00	
1798		79,740	124,335		1,535.00	
1799		174,880	37,255		1,200.00	
1800		259,650	58,110			
1801		292,540	130,080			
1802		150,900	265,880		6,590.00	
1803		89,790	167,680		1,057.50	
1804		97,950	152,375		8,317.50	
1805			156,915		4,452.50	
1806			320,465		4,040.00	
1807			420,465		17,090.00	
1808			277,890		6,775.00	
1809			169,375			
1810			501,435			
1811			497,905			
1812			290,435			
1813			477,140			
1814			77,270			
1815			3,175			
1816						
1817						
1818			242,940			
1819			258,615			
1820			1,319,080			
1821			173,205		16,120.00	
1822			88,980			
1823			72,425			
1824			86,700		6,500.00	

CALENDAR YEARS.	GOLD COINAGE.					
	DOUBLE-EAGLES.	EAGLES.	HALF-EAGLES.	THREE DOLLARS.	QUARTER-EAGLES.	DOLLARS.
1825	.....	.....	$145,300	.....	$11,085.00	.....
1826	.....	.....	90,345	.....	1,900.00	.....
1827	.....	.....	124,565	.....	7,000.00	.....
1828	.....	.....	140,145	.....	.....	.....
1829	.....	.....	287,210	.....	8,507.50	.....
1830	.....	.....	631,755	.....	11,350.00	.....
1831	.....	.....	702,970	.....	11,300.00	.....
1832	.....	.....	787,435	.....	11,000.00	.....
1833	.....	.....	968,150	.....	10,400.00	.....
1834	.....	.....	3,660,845	.....	293,425.00	.....
1835	.....	.....	1,857,670	.....	328,505.00	.....
1836	.....	.....	2,765,735	.....	1,369,965.00	.....
1837	.....	.....	1,035,605	.....	112,700.00	.....
1838	.....	$72,000	1,600,420	.....	137,345.00	.....
1839	.....	382,480	802,745	.....	191,622.50	.....
1840	.....	473,380	1,048,530	.....	153,572.50	.....
1841	.....	656,310	380,945	.....	54,602.50	.....
1842	.....	1,089,070	655,330	.....	85,007.50	.....
1843	.....	2,506,240	4,275,425	.....	1,327,132.50	.....
1844	.....	1,250,610	4,087,715	.....	89,345.00	.....
1845	.....	736,530	2,743,640	.....	276,277.50	.....
1846	.....	1,018,750	2,736,155	.....	279,272.50	.....
1847	.....	14,337,580	5,382,685	.....	482,060.00	.....
1848	.....	1,813,340	1,863,560	.....	97,612.50	.....
1849	.....	6,775,180	1,184,645	.....	111,147.50	$936,789
1850	$26,225,220	3,489,510	860,160	.....	895,547.50	511,301
1851	48,043,100	4,393,280	2,651,955	.....	3,867,337.50	3,658,820
1852	44,860,520	2,811,060	3,689,635	.....	3,283,827.50	2,201,145
1853	26,646,520	2,522,530	2,305,095	.....	3,519,615.00	4,384,149
1854	18,052,340	2,805,760	1,513,235	$491,214	1,896,397.50	1,657,016
1855	25,046,820	1,487,010	1,257,090	171,465	600,700.00	824,883
1856	30,437,560	1,429,900	1,806,665	181,530	1,213,117.50	1,788,996
1857	28,797,500	481,060	1,232,970	104,673	796,235.00	801,602
1858	21,873,480	343,210	439,770	6,399	144,082.50	131,472
1859	13,782,840	253,930	361,235	46,914	142,220.00	193,431
1860	22,584,400	278,830	352,365	42,465	164,360.00	51,234

TABLE I (Continued).

CALENDAR YEARS.	GOLD COINAGE.					
	DOUBLE-EAGLES.	EAGLES.	HALF-EAGLES.	THREE DOLLARS.	QUARTER-EAGLES.	DOLLARS.
1861	$74,989,060	$1,287,330	$3,332,130	$18,216	$3,241,295.00	$ 527,499
1862	18,926,120	234,950	69,825	17,355	300,882.50	1,326,865
1863	22,187,200	112,480	97,360	15,117	27,075.00	6,250
1864	19,958,900	60,800	40,540	8,040	7,185.00	5,950
1865	27,874,000	207,050	144,585	3,495	62,302.50	3,725
1866	30,820,500	287,800	258,200	12,090	105,175.00	7,180
1867	28,436,300	121,400	179,600	7,950	78,125.00	5,250
1868	18,722,000	241,550	288,625	14,625	94,062.50	10,525
1869	17,288,100	82,850	163,925	7,575	84,612.50	5,925
1870	22,819,480	164,430	143,550	10,605	51,387.50	9,335
1871	20,456,740	254,650	245,000	3,990	68,375.00	3,930
1872	21,230,600	244,500	275,350	6,090	52,575.00	3,530
1873	55,456,700	173,680	754,605	75	512,562.50	125,125
1874	33,917,700	799,270	203,530	124,460	9,850.00	196,820
1875	32,737,820	78,350	105,240	60	30,050.00	420
1876	46,386,920	104,280	61,820	135	23,052.50	3,245
1877	43,504,700	211,490	182,660	4,464	92,630.00	3,920
1878	45,916,500	1,031,440	1,427,470	246,972	1,160,650.00	3,020
1879	28,889,260	6,120,320	3,727,155	9,090	331,225.00	3,030
1880	17,749,120	21,715,160	22,831,765	3,108	7,490.00	1,636
1881	14,585,200	48,796,250	33,458,430	1,650	1,700.00	7,660
1882	23,295,400	24,740,640	17,831,885	4,620	10,100.00	5,040
1883	24,980,040	2,595,400	1,647,990	2,820	4,900.00	10,840
1884	19,944,200	2,110,800	1,922,250	3,318	4,962.50	6,206
1885	13,875,560	4,815,270	9,065,080	2,730	2,217.50	12,205
1886	22,120	10,621,600	18,282,160	3,426	10,220.00	6,016
1887	5,662,420	8,706,800	9,560,435	18,490	15,705.00	8,543
1888	21,717,320	8,030,310	1,560,980	15,873	40,245.00	16,080
1889	16,995,120	4,298,850	37,825	7,287	44,120.00	30,729
1890	19,399,080	755,430	290,640	.....	22,082.50	.....
1891	25,891,340	1,956,000	1,347,065	.....	27,600.00	.....
January 1, to June 30, 1892.	9,082,760	7,950,400	4,111,995	.....	160.00	.....
Total	$1,125,018,580	$211,095,000	$196,545,710	$1,619,376	$28,589,282.50	$19,449,337

TABLE II.

COINAGE OF THE MINTS OF THE UNITED STATES FROM THEIR ORGANIZATION, BY CALENDAR YEARS AND BY DENOMINATION OF PIECES

CALENDAR YEARS.	SILVER COINAGE.							
	TRADE DOLLARS.	DOLLARS.	HALF-DOLLARS.	QUARTER-DOLLARS.	TWENTY CENTS.	DIMES.	HALF-DIMES.	THREE CENTS.
1793–1795		$204,791	$161,572.00				$4,320.80	
1796		68,150		$1,478.50		$2,218.50	511.50	
1797		12,546	1,959.00	68.00		2,526.10	2,226.35	
1798		327,536				2,755.00		
1799		423,515						
1800		220,920				2,176.00	1,200.00	
1801		54,454	15,144.50			3,464.00	1,695.50	
1802		41,650	14,945.00			1,097.50	650.50	
1803		66,064	15,857.50			3,304.00	1,892.50	
1804		19,570	78,259.50	1,684.50		826.50		
1805		$21	105,861.00	30,348.50		12,078.00	780.00	
1806			419,788.00	51,531.00				
1807			525,788.00	55,160.75		16,500.00		
1808			684,300.00					
1809			702,905.00			4,471.00		
1810			638,138.00			685.50		
1811			601,822.00			6,518.00		
1812			814,029.50					
1813			620,951.50					
1814			519,587.50			42,150.00		
1815				17,306.00				
1816			23,575.00	5,000.75				
1817			607,783.50					
1818			980,161.00	90,293.50				
1819			1,104,000.00	36,000.00				
1820			375,561.00	31,861.00		94,258.70		
1821			652,898.50	54,212.75		118,651.20		
1822			779,786.50	16,020.00		10,000.00		
1823			847,100.00	4,450.00		44,000.00		
1824			1,752,477.00					
1825			1,471,583.00	42,000.00		51,000.00		
1826			2,002,090.00					

TABLE II (Continued).

CALENDAR YEARS.	SILVER COINAGE.							
	TRADE DOLLARS.	DOLLARS.	HALF-DOLLARS.	QUARTER-DOLLARS.	TWENTY CENTS.	DIMES.	HALF-DIMES.	THREE CENTS.
1827			$2,746,700.00	$1,00[illegible].00		$121,500.00		
1828			1,537,600.00	25,500.00		12,500.00		
1829			1,856,078.00			77,000.00	$61,500.00	
1830			2,382,400.00			51,000.00	62,000.00	
1831			2,936,830.00	99,500.00		77,135.00	62,135.00	
1832			2,398,500.00	80,000.00		52,250.00	48,250.00	
1833			2,603,000.00	39,000.00		48,500.00	68,500.00	
1834			3,206,002.00	71,500.00		63,500.00	74,000.00	
1835			2,676,003.00	488,000.00		141,000.00	138,000.00	
1836		$1,000	3,273,100.00	118,000.00		119,000.00	95,000.00	
1837			1,814,910.00	63,100.00		104,200.00	113,800.00	
1838			1,773,000.00	208,000.00		239,493.40	112,750.00	
1839		300	1,748,768'00	122,786.50		229,638.70	108,285.00	
1840		61,005	1,145,054.00	153,331.75		253,358.00	113,954.25	
1841		173,000	355,500.00	143,000.00		363,000.00	98,250.00	
1842		184,618	1,484,882.00	214,250.00		390,750.00	58,250.00	
1843		165,100	3,056,000.00	403,400.00		152,000.00	58,250.00	
1844		20,000	1,885,500.00	290,300.00		7,250.00	32,500.00	
1845		24,500	1,341,500.00	230,500.00		198,500.00	78,200.00	
1846		169,600	2,257,000.00	127,500.00		3,130.00	1,350.00	
1847		140,750	1,870,000.00	275,500.00		24,500.00	63,700.00	
1848		15,000	1,880,000.00	36,500.00		45,150.00	63,400.00	
1849		62,600	1,781,000.00	85,000.00		113,900.00	72,450.00	
1850		47,500	1,341,500.00	150,700.00		244,150.00	82,250.00	
1851		1,300	301,375.00	62,000.00		142,650.00	82,050.00	$185,022.00
1852		1,100	110,565.00	68,265.00		196,550.00	63,025.00	559,905.00
1853		46,110	2,430,354.00	4,146,555.00		1,327,301.00	785,251.00	342,000.00
1854		33,140	4,111,000.00	3,466,000.00		624,000.00	365,000.00	20,130.00
1855		26,600	2,288,725.00	857,350.00		207,500.00	117,500.00	4,170.00
1856		63,500	1,903,500.00	2,129,500.00		703,000.00	299,000.00	43,740.00
1857		94,000	1,482,000.00	2,726,500.00		712,000.00	433,000.00	31,260.00
1858			5,998,000.00	2,002,250.00		189,000.00	258,000.00	48,120.00

CALENDAR YEARS.	SILVER COINAGE.							
	TRADE DOLLARS.	DOLLARS.	HALF-DOLLARS.	QUARTER-DOLLARS.	TWENTY CENTS.	DIMES.	HALF-DIMES.	THREE CENTS.
1859	.....	$636,500	$2,074,000.00	$421,000.00	.....	$97,000.00	$45,000.00	$10,950.00
1860	.....	733,980	1,032,850.00	312,350.00	.....	78,700.00	42,950.00	18,610.00
1861	.....	78,500	2,078,950.00	1,237,650.00	.....	209,650.00	350,50.00	14,940.00
1862	.....	12,090	802,175.00	249,887.50	.....	102,830.00	74,627.50	10,906.50
1863	.....	27,660	709,830.00	48,015.00	.....	17,196.00	5,923.00	643.80
1864	.....	31,170	518,785.00	28,517.50	.....	26,907.00	4,523.50	14.10
1865	.....	47,000	593,450.00	25,075.00	.....	18,550.00	6,675.00	255.00
1866	.....	49,625	890,812.50	11,381.25	.....	14,372.50	6,536.25	681.75
1867	.....	60,325	810,162.50	17,156.25	.....	14,662.50	6,431.25	138.75
1868	.....	182,700	769,100.00	31,500.00	.....	72,625.00	18,295.00	123.00
1869	.....	424,300	725,950.00	23,150.00	.....	70,660.00	21,930.00	153.00
1870	.....	445,462	829,758.50	23,935.00	.....	52,150.00	26,830.00	120.00
1871	.....	1,117,136	1,741,655.00	53,285.50	.....	109,871.00	82,493.00	127.80
1872	.....	1,118,600	866,775.00	68,762.50	.....	261,045.00	189,247.50	58.50
1873	1,225,000	296,600	1,593,780.00	414,190.50	.....	443,329.10	51,830.00	18.00
1874	4,910,000	.....	1,406,650.00	215,975.00	.....	319,151.70	.....	.....
1875	6,279,600	.....	5,117,750.00	1,278,375.00	$265,598	2,406,570.00	.....	.....
1876	6,192,150	.....	7,451,575.00	7,839,287.50	5,180	3,015,115.00	.....	.....
1877	13,092,710	.....	7,540,255.00	6,024,927.50	102	1,735,051.00	.....	.....
1878	4,259,900	22,495,550	726,200.00	849,200.00	120	187,880.00	.....	.....
1879	1,541	27,560,100	2,950.00	3,675.00	.....	1,510.00	.....	.....
1880	1,987	27,397,355	4,877.50	3,738.75	.....	3,735.50	.....	.....
1881	960	27,927,975	5,487.50	3,243.75	.....	2,497.50	.....	.....
1882	1,097	27,574,100	2,750.00	4,075.00	.....	891,110.00	.....	.....
1883	979	28,470,039	4,519.50	3,859.75	.....	767,571.20	.....	.....
1884	.....	28,136,875	2,637.50	2,218.75	.....	398,184.90	.....	.....
1885	.....	28,697,767	3,065.00	3,632.50	.....	257,711.70	.....	.....
1886	.....	31,423,886	2,943.00	1,471.50	.....	658,409.40	.....	.....
1887	.....	33,611,710	2,855.00	2,677.50	.....	1,573,888.90	.....	.....
1888	.....	31,990,833	6,416.50	306,70[illegible].25	.....	721,648.70	.....	.....
1889	.....	34,651,811	6,355.50	3,177.75	.....	835,338.90	.....	.....
1890	.....	38,043,004	6,296.00	20,147.50	.....	1,133,461.70	.....	.....
1891	.....	23,562,735	100,300.00	1,551,150.00	.....	2,304,671.60	.....	.....
January 1, to June 30, 1892	.....	2,444,995	947,201.50	1,647,268.50	.....	1,068,439.10	.....	.....
Total	35,965,924	422,019,973	123,882,426.50	42,052,831.00	271,000	27,013,926.00	4,880,219.40	1,282,087.20

DIAGRAM I.—Gold and Silver Coinage of the Mints of the United States (1834-1892).

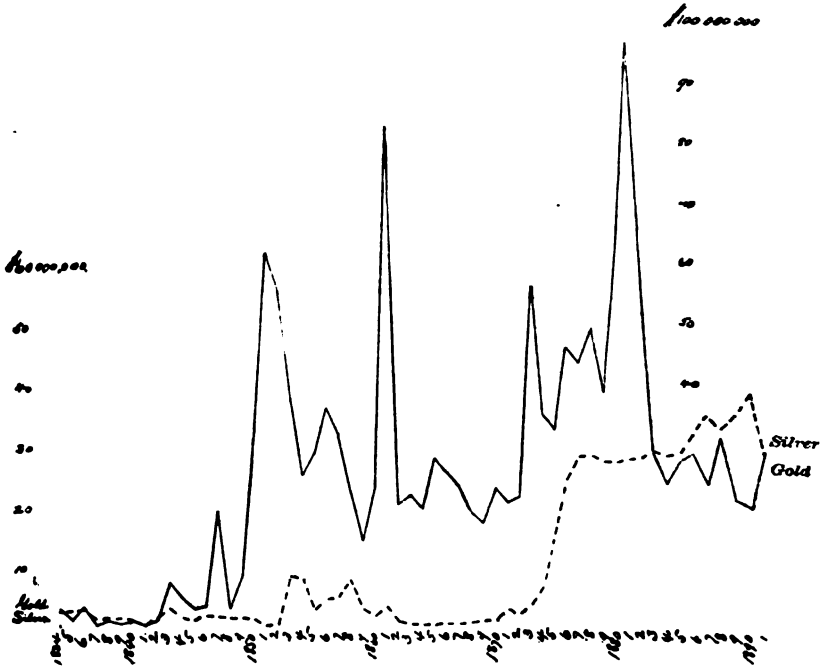

DIAGRAM II.—Coining Value of the Gold and Silver Produced from the Mines of the United States (1853-1891).

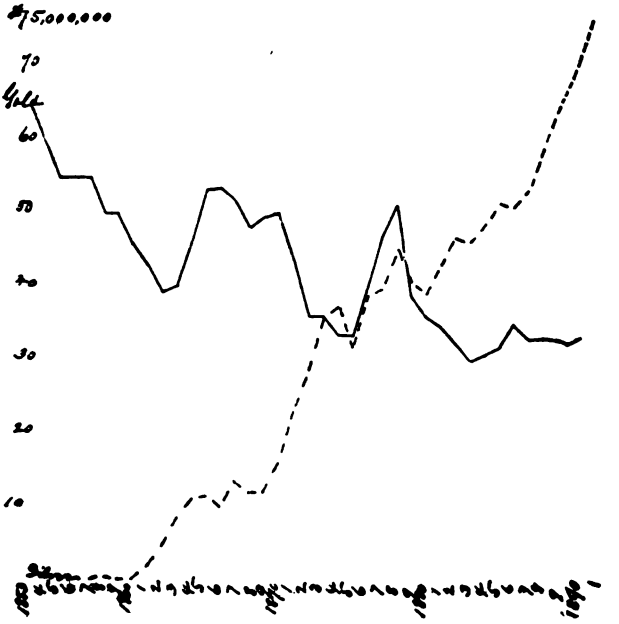

TABLE III.

THE UNITED STATES IMPORTS AND EXPORTS OF SILVER.

YEAR ENDING JUNE 30—	EXPORTS.		TOTAL EXPORTS.	IMPORTS.	EXCESS OF EXPORTS OVER IMPORTS.	EXCESS OF IMPORTS OVER EXPORTS.
	DOMESTIC.	FOREIGN.				
	Dollars.	Dollars.	Dollars.	Dollars.	Dollars.	Dollars.
1843*	107,429	1,113,104	1,220,533	5,253,898	.....	4,033,365
1844	183,405	4,087,693	4,271,098	4,217,125	53,973	.....
1845	844,446	5,551,070	6,395,516	3,251,392	3,144,124	.....
1846	423,851	1,852,069	2,275,920	2,867,319	.....	591,399
1847	62,620	869,103	931,723	2,546,358	.....	1,614,635
1848	2,700,412	4,770,419	7,470,831	2,951,529	4,519,302	.....
1849	956,874	3,432,415	4,389,289	2,582,593	1,806,696	.....
1850	2,046,679	2,962,367	5,009,046	2,852,086	2,156,960	.....
1851	18,069,580	6,635,839	24,705,419	1,884,413	22,821,006	.....
1852	37,437,837	2,600,156	40,037,993	1,846,985	38,191,008	.....
1853	23,548,535	2,044,017	25,592,552	1,774,026	23,818,526	.....
1854	38,062,570	727,040	38,789,610	3,726,623	35,062,987	.....
1855	53,957,418	1,138,128	55,095,546	2,567,010	52,528,536	.....
1856	44,148,279	744,508	44,892,787	3,217,327	41,675,460	.....
1857	60,078,352	3,904,269	63,982,621	5,807,163	58,175,458	.....
1858	42,407,246	2,630,343	45,037,589	7,708,428	37,329,161	.....
1859	57,502,305	2,779,358	60,281,663	5,309,392	54,972,271	.....
1860	56,946,851	8,100,200	65,047,051	6,041,349	59,005,702	.....
1861	†23,799,870	2,367,107	26,166,977	4,047,681	22,119,296	.....
1862	.....	1,447,737	1,447,737	2,508,041	.....	1,060,304
1863	55,993,562	1,993,773	57,987,335	4,053,567	53,933,768	.....
1864	3,338,938	1,395,969	4,734,907	1,938,843	2,796,064	.....
1865	8,059,418	1,202,775	9,262,193	3,311,844	5,950,349	.....
1866	12,515,908	2,330,854	14,846,762	2,503,831	12,342,931	.....
1867	18,746,520	3,095,225	21,841 745	5,045,609	16,796,136	.....
1868	15,514,817	5,872,941	91,387,758	5,450,925	15,936,833	.....

* Nine months. † Includes gold coin and bullion.

YEAR ENDING JUNE 30—	EXPORTS.		TOTAL EXPORTS.	IMPORTS.	EXCESS OF EXPORTS OVER IMPORTS.	EXCESS OF IMPORTS OVER EXPORTS.
	DOMESTIC.	FOREIGN.				
	Dollars.	Dollars.	Dollars.	Dollars.	Dollars.	Dollars.
1869	14,473,190	6,661,692	21,134,882	5,675,308	15,459,574	
1870	15,303,193	9,216,511	24,519,704	14,362,229	10,157,475	
1871	19,821,681	11,934,099	31,755,780	14,386,463	17,369,317	
1872	24,420,738	5,908,036	30,328,774	5,026,231	25,302,543	
1873	29,433,508	10,318,351	39,751,859	12,798,490	26,953,369	
1874	27,054,200	5,533,785	32,587,985	8,951,769	23,636,216	
1875	22,313,584	2,837,581	25,151,165	7,203,924	17,947,241	
1876	20,606,934	4,722,318	25,329,252	7,943,972	17,385,280	
1877	20,775,637	8,796,226	29,571,863	14,528,180	15,043,683	
1878	20,429,315	4,106,355	24,535,670	16,491,099	8,044,571	
1879	13,409,950	6,999,877	20,409,827	14,671,052	5,738,775	
1880	7,572,854	5,931,040	13,503,894	12,275,914	1,227,980	
1881	12,400,637	4,441,078	16,841,715	10,544,238	6,297,477	
1882	12,076,646	4,752,953	16,828,599	8,095,336	8,734,263	
1883	12,702,272	7,517,173	20,219,445	10,755,242	9,464,203	
1884	14,931,431	11,119,995	26,051,426	14,594,945	11,456,481	
1885	21,634 551	12,119,082	33,753,633	16,550,627	17,203,006	
1886	19,158,051	10,353,168	29,511,219	17,850,307	11,660,912	
1887	17,005,036	9,291,468	26,296,504	17,260,191	9,036,313	
1888	20,635,420	7,402,529	28,037,949	15,403,669	12,634,280	
1889	25,284,662	11,404,586	36,689,248	18,678,215	18,011,033	
1890	22,378,557	12,495,372	34,873,929	21,032,984	13,840,945	
1890*	16,098,189	10,441,600	26,539,789	22,426,119	4,113,670	
1891*	12,919,905	14,772,974	27,692,879	18,192,750	9,500,129	
1892*	20,358,836	15,616,998	35,975,834	21,726,252	14,249,582	

* Calendar years.

TABLE IV.

THE UNITED STATES IMPORTS AND EXPORTS OF GOLD.

YEAR ENDING JUNE 30—	EXPORTS.		TOTAL EXPORTS.	IMPORTS.	EXCESS OF EXPORTS OVER IMPORTS.	EXCESS OF IMPORTS OVER EXPORTS.
	DOMESTIC.	FOREIGN.				
	Dollars.	Dollars.	Dollars.	Dollars.	Dollars.	Dollars.
1843*	.....	300,258	300,258	17,066,437	.....	16,766,179
1844	.....	1,183,116	1,183,116	1,613,304	.....	430,188
1845	.....	2,210,979	2,210,979	818,850	1,392,129	.....
1846	.....	1,629,348	1,629,348	910,413	718,935	.....
1847	.....	975,301	975,301	21,574,931	.....	20,599,630
1848	.....	8,370,785	8,370,785	3,408,755	4,962,030	.....
1849	.....	1,015,359	1,015,359	4,068,647	.....	3,053,288
1850	.....	2,513,948	2,513,948	1,776,706	737,242	.....
1851	.....	4,767,333	4,767,333	3,569,090	1,198,243	.....
1852	.....	2,636,142	2,636,142	3,658,059	.....	1,021,917
1853	.....	1,894,323	1,894,323	2,427,356	.....	533,033
1854	.....	2,491,894	2,491,894	3,212,719	.....	720,825
1855	.....	1,151,797	1,151,797	1,092,802	58,995	.....
1856	.....	852,698	852,698	990,305	.....	137,607
1857	.....	5,154,301	5,154,301	6,654,636	.....	1,500,335
1858	.....	7,595,558	7,595,558	11,566,068	.....	3,970,510
1859	.....	3,605,748	3,605,748	2,125,397	1,480,351	.....
1860	.....	1,499,188	1,499,188	2,508,786	.....	1,009,598
1861	†	3,624,103	3,624,103	42,291,930	.....	38,667,827
1862	31,044,651	4,395,252	35,439,903	13,907,011	21,532,892	.....
1863	.....	6,169,276	6,169,276	5,530,838	638,738	.....
1864	97,134,624	3,527,010	100,661,634	11,176,769	89,484,865	.....
1865	56,558,706	1,822,327	58,381,033	6,498,228	51,882,805	.....
1866	70,127,466	1,069,843	71,197,309	8,196,261	63,001,048	.....
1867	36,229,676	2,796,951	39,026,627	17,024,866	22,001,761	.....
1868	68,231,158	4,165,186	72,396,344	8,737,443	63,658,901	.....
1869	28,442,776	7,560,722	36,003,498	14,132,568	21,870,930	.....

* Nine months. † Gold and silver not separately stated, all included in silver.

YEAR ENDING JUNE 30—	EXPORTS.		TOTAL EXPORTS.	IMPORTS.	EXCESS OF EXPORTS OVER IMPORTS.	EXCESS OF IMPORTS OVER EXPORTS.
	DOMESTIC.	FOREIGN.				
	Dollars.	Dollars.	Dollars.	Dollars.	Dollars.	Dollars.
1870	28,580,609	5,055,353	33,635,962	12,056,950	21,579,012	
1871	64,581,678	2,104,530	66,686,208	6,883,561	59,802,647	
1872	48,377,502	1,171,258	49,548,760	8,717,458	40,831,302	
1873	44,472,088	384,677	44,856,715	8,682,447	36,174,268	
1874	32,645,486	1,396,934	34,042,420	19,503,137	14,539,283	
1875	61,543,545	5,437,432	66,980,977	13,696,793	53,284,184	
1876	29,431,757	1,745,293	31,177,050	7,992,709	23,184,341	
1877	22,359,101	4,231,273	26,590,374	26,246,234	344,140	
1878	6,632,570	2,571,885	9,204,455	13,330,215		4,125,760
1879	4,145,065	442,529	4,587,614	5,624,948		1,037,334
1880	1,775,039	1,863,986	3,639,025	80,758,396		77,119,371
1881	1,826,307	738,825	2,565,132	100,081,259		97,466,127
1882	31,403,625	1,184,255	32,587,880	34,377,054		1,789,174
1883	8,920 909	2,679,979	11,600,888	17,734,149		6,133,261
1884	35,294,204	5,787,753	41,081,957	22,831,317	18,250,640	
1885	2,741,559	5,736,333	8,477,892	26,691,696		18,213,804
1886	32,766,066	10,186,125	42,952,191	20,743,349	22,208,842	
1887	5,705,304	3,995,883	9,701,187	42,910,601		33,209,414
1888	12,560,084	5,816,150	18,376,234	43,934,317		25,558,083
1889	54,930,332	5,021,953	59,952,285	10,284,858	49,667,427	
1890	13,403,632	3,870,859	17,274,491	12,943,342	4,331,149	
1890*	20,654,960	3,408,114	24,063,074	20,230,090	3,832,984	
1891*	76,640,893	2,445,688	79,086,581	44,970,110	34,116,474	
1892*	70,404,487	6,127,569	76,532,056	17,450,946	50,081,110	

* Calendar years.

TABLE V.

AVERAGE ANNUAL PRODUCTION OF GOLD AND SILVER IN THE WORLD BY PERIODS FROM 1492 to 1880.

From Soetbeer, as quoted in Laughlin's "History of Bimetallism in the United States," pp. 217-219.

	SILVER.	GOLD.		SILVER.	GOLD.
1493—1520	$2,115,000	$4,045,500	1761—1780	$29,383,250	$14,441,750
1521—1544	4,059,000	4,994,000	1781—1800	39,557,750	12,408,500
1545—1560	14,022,000	5,935,400	1801—1810	40,236,750	12,400,000
1561—1580	13,477,500	4,770,750	1811—1820	21,334,750	7,983,000
1581—1600	18,850,500	5,147,500	1821—1830	20,725,250	9,915,750
1601—1620	19,030,500	5,942,750	1831—1840	26,840,250	14,151,500
1621—1640	17,712,000	5,789,250	1841—1850	35,118,750	38,194,250
1641—1660	16,483,500	6,117,000	1851—1855	39,875,000	137,775,000
1661—1680	15,165,000	6,458,750	1856—1860	40,725,000	143,725,000
1681—1700	15,385,500	7,506,500	1861—1865	49,550,000	129,125,000
1701—1720	16,002,000	8,942,000	1866—1870	60,250,000	133,850,000
1721—1740	19,404,000	13,306,250	1871—1875	88,625,000	119,050,000
1741—1760	23,991,500	17,165,500	1876—1880	112,500,000	119,975,000

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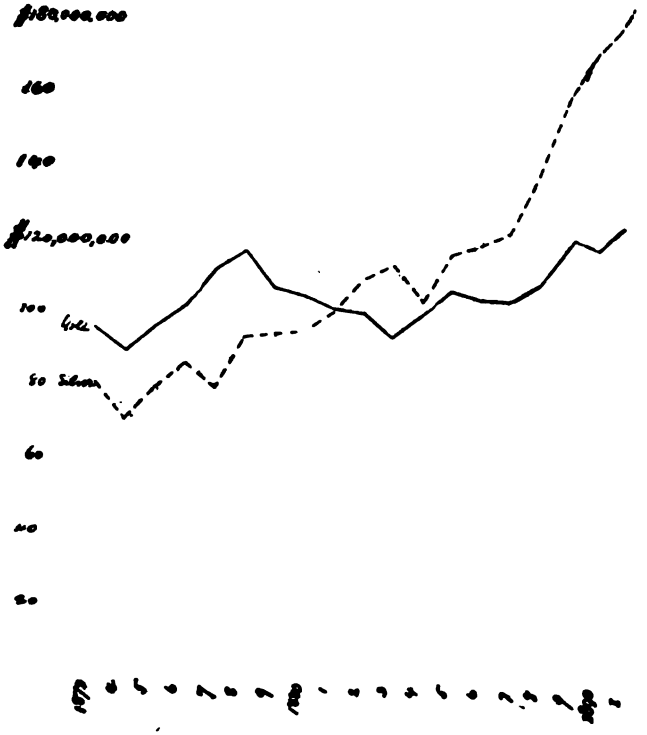
DIAGRAM III.—Annual Production of Gold and Silver in the World (coining value), for the calendar years 1873–1891.